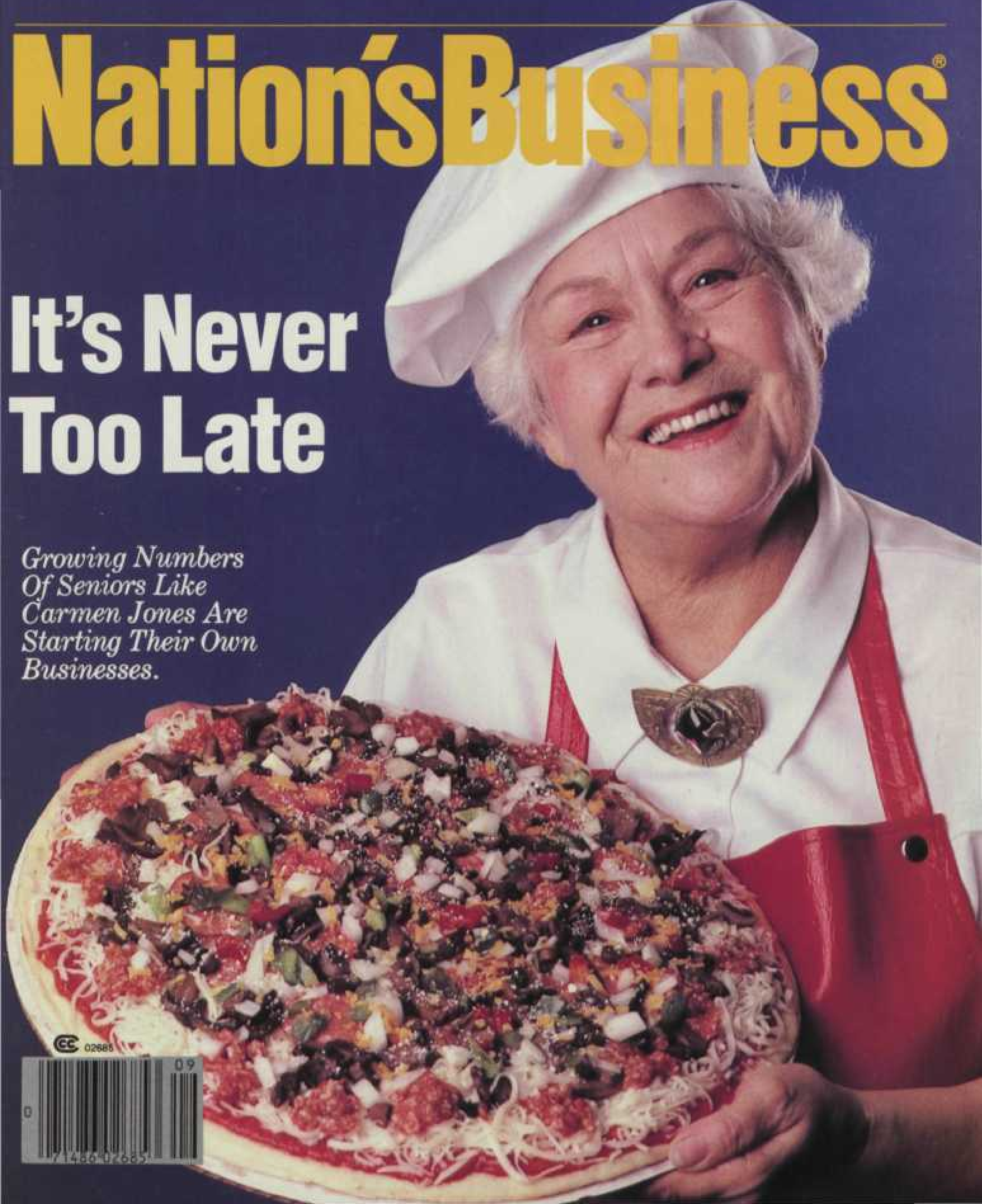
SEPTEMBER 1986 $2.50

On Guard Against Protectionism

How To Find The Best Franchisor

Can Auctions Help Your Company, Too?

Nation's Business



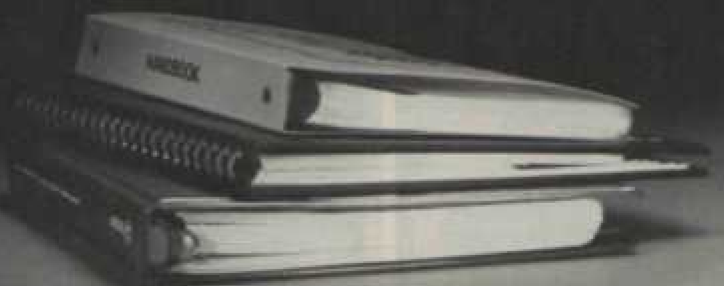
It's Never Too Late

Growing Numbers Of Seniors Like Carmen Jones Are Starting Their Own Businesses.

Product knowledge is all you need for professional selling.

☐ True

☐ False



A thorough knowledge of your product is certainly vital to you as a professional salesperson. You must know your product so you can explain its features, its benefits to your prospective customer. But product knowledge alone is not enough. You must also have an abundance of PROSPECT KNOWLEDGE. You must understand the psychology of the decision-making process, what makes your prospect decide to buy or not to buy your product.

That's why many men and women in the selling profession take the Dale Carnegie Sales Course.® They want more PROSPECT KNOWLEDGE. They want to learn the best methods and techniques for finding out exactly what their prospect wants and needs so they can offer practical solutions to his or her problems. They want to learn new ways to improve, to strengthen and refine their sales presentations. They want to become more skilled in the art of communicating so they can help their prospect appreciate and believe in their product and how it will meet his or her needs. They want to learn new, effective techniques to answer objections and often turn them into pluses. They want to know how to monitor their sales interviews to determine when the prospect is ready to buy. And they want to develop the skill to analyze their interviews to determine why they closed the sale, or why they didn't.

Most competent salespeople already have an adequate measure of product knowledge. But the Dale Carnegie Sales Course® can give you that vital PROSPECT KNOWLEDGE to go with it. It can help you become more professional, more effective. It can help you increase your sales.

For more information, ask for a free copy of our quick-reading booklet that outlines the benefits and objectives of the Dale Carnegie Sales Course.® Call toll-free **800-231-5800.** In Texas, call **800-392-2424.** Or write to the address below.

DALE CARNEGIE & ASSOCIATES, INC.

SUITE 196N • 6000 DALE CARNEGIE DRIVE (PVT.) • HOUSTON, TEXAS 77036

Accredited by the Council For Noncollegiate Continuing Education

Circle No. 28 on Reader Service Card.

VOL. 74, NO. 9

Nation's Business

Published by the U.S. Chamber of Commerce Washington, D.C.

THE NATION'S BUSINESS

Senior Inspector Michael Sinclair, U.S. Customs, examines flowers imported from Colombia. U.S. growers say foreign growers are dumping here. (Page 14)

PHOTO: © DEBRA SCHULKE

COVER STORY

"This pizza business brings out the kid in me," says Carmen Jones, 70. Bored with retirement, she founded Kids Korner Fresh Pizza, Inc., in Wausau, Wis., when she was 61. Today her company stores and her franchise operation are worth millions.

PHOTO: T. MICHAEL KEZA

Cover: Richard Derk

DEPARTMENTS

MANAGING YOUR BUSINESS

PHOTO: CHARLES PLANT—FIRST TEAM

PHOTO: MANDY WIGHSMANDER

PEOPLE/PERSONAL

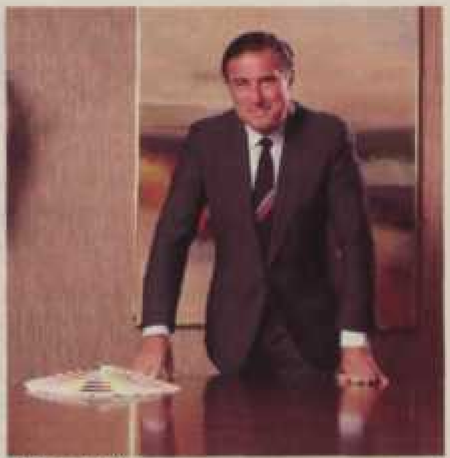


PHOTO: STEVE ALTMAN

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $44; and in combination with the newspaper *The Business Advocate*, one year, $50; two years, $65; three years, $99. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. *Postmaster:* Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20895.

COMMENTARY

The Value Of Dissent

By Allen E. Fishman

One of the most common animals found in the business jungle is the yes man—a hungry beast. Whether you realize it or not, the yes man will eat at your potential profits.

You must get the yes man to voice differences of opinion if you are going to maximize his potential to help your company. Do everything possible to make it clear that you do not want the people working for you to be yes men.

I received my introduction into the yes-man atmosphere within months of starting my first full-time position right out of college.

The manager in charge of our department had set up a meeting to discuss an idea he had to handle a major personnel problem. We subordinates had discussed and soundly panned his idea in a bull session over lunch the day before. But at the meeting there was a greatly different reaction.

When the manager asked around the table for opinions, several of my lunchmates were full of praise for his idea. When it came my turn to speak, I tactfully told the manager that I thought the idea was a mistake and why. I was able to express my views without fear of repercussion because the manager had made it clear to me the day I was hired that he thought a difference of opinion was healthy.

And he meant it.

Some time after the meeting he told me that "when I want 'yes' for an answer, I know whom to ask." He definitely knew his people.

The yes men, who thought they were putting one over on the boss, were really only reaffirming his impression of them.

A good manager recognizes and encourages differences of opinion in the company. If an employee is expected to back up an opinion and argue its merits, his research will be better.

The best benefit will be in your own thinking, as challenges make you reexamine your position.

Several years ago one of my managers confronted me about a telemarketing campaign I had developed. I was excited about the campaign and described it to three of my managers. They did a great job of bursting my bubble. Each came up with a markedly different campaign proposal as an alternative to mine.

I was impressed with all three suggestions and realized that each one had merit. I then requested a full-blown presentation from each of the people, one after the other, with the others sitting in. I got three excellent, well-researched campaign proposals. After the presentations were made, I threw the meeting open to a discussion of potential strengths and weaknesses of all the proposals.

"The good manager recognizes and encourages differences of opinion in the company."

The result? A successful marketing campaign that had its roots in all three of the ideas presented.

In both of these instances, disagreement was healthy.

Go back to the brainstorming session I just described and imagine a different scenario. Picture a situation in which I expected agreement from my managers. If they gave differing opinions of the idea, I would have let them know in various ways that their opinions were not welcome.

The "do not disagree" message is conveyed by the type of response that puts down the subordinate's comment, by facial expression or by tone of voice. We have all seen ideas stifled at meetings because the executive in charge was obviously seething under the surface because someone had disagreed with him.

Anyone who has been jumped on by the boss for expressing a differing view remembers it and probably will not make the same mistake a second time. What does this mean to the company? New and good ideas never see the light of day because the employees fear wrath from the top.

There is always disagreement in every company. Sometimes it is just not seen.

There is a difference between saying you do not want yes men and taking affirmative actions to bring about an open atmosphere. It is important that your subordinates believe that you really want honest answers.

Just saying so doesn't mean anything. In a meeting, you have to say, "I have expressed a view, now tell me where I'm wrong." And you have to mean it. If you are not getting different views, try saying, "Is there someone who disagrees? Please let me know, and why."

When you get a dissenting view, you must not put down the idea. Be supportive, and never go after someone else's ego, or you will stifle dissent for as long as you are the manager. Basically, you must continually ask for dissent, accept disagreement graciously and make sure that others get credit for their ideas.

If you do not insist on openness by action as well as words, your employees will not trust your words. They will play it safe.

Without dissent, your company will lose its edge. If you encourage dissent, you will get more and better work from your employees than you ever thought possible. NB

Allen E. Fishman, president of Tipton Centers, Inc., an 18-store consumer electronics chain based in St. Louis, writes nationally syndicated columns on business subjects.

Merrill Lynch makes it easier to mind your own business.

If you could solve all your financial needs in one place, you could spend less time running from bankers to brokers to insurance agents and more time running your business.

That's why Merrill Lynch offers business financial services. So that your local Merrill Lynch Financial Consultant can research your needs and provide innovative solutions.

Such as integrating your financial activities—cash management, investments and loans—into a Working Capital Management™ Account.

Making flexible financing and leasing arrangements for new equipment. And providing tax-advantaged investment programs.

Plus ideas for the future, like retirement planning to reduce taxes now and build financial independence later. And the right insurance protection for every phase of your business's life cycle.

For a copy of our brochure, "How Merrill Lynch Can Help You Run Your Business More Effectively," send your business card to J. Arthur Urciuoli, Director of Merrill Lynch Business Financial Services, Suite 5004, Princeton, NJ 08543-9042.

And put our business financial services to work for you, so you can get back to work.

Merrill Lynch

Circle No. 26 on Reader Service Card.

COMMENTARY

Letters To The Editor

Time Off For Baby

Arguing that passage of H.R. 4300, the parental and disability leave bill ["Where I Stand," July], could prevent women of childbearing age and anyone over 50 from being hired implies business people will openly flout antidiscrimination laws.

Telling Congress that business will resort to illegal methods if the laws don't suit them harms the business community.

Susan N. Holliday
Kensington, Md.

The current private-sector employee benefits system, by and large, does not provide flexibility in balancing the demands of home and workplace. A recent study indicated that many companies have changed their leave policies only to come in compliance with the 1977 Pregnancy Disability Act requiring pregnancy to be treated just as any other disability is.

Until parental and disability leave is mandated by the federal government, employers can continue providing their new parents with the type of leave far too prevalent in the workplace today—next to nothing.

Mary Parys O'Brien
Certified Childbirth Educator
Work and Family Life Consultant
Minneapolis

The entire matter of parental and medical leave should remain with the individual states or individual communities.

With all of the excellent programs currently on the books and being carried out by employers throughout the United States, this additional cost and expense in the name of job security is unnecessary.

There is no such thing as job security unless a company or an enterprise remains viable and functional. The federal government has already eroded job security through minimum wage laws and other intrusions into the business of doing business in a free enterprise manner. H.R. 4300 is just one more step toward making the cost of doing business excessive.

Milton W. Heath, Jr.
Chairman
Health Consultants, Inc.
Stoughton, Mass.

More On Trash Mail

I disagree with T.V. Hansen [Letters, July] when he says the wastebasket is

Readers sound off on pregnancy leave, junk mail, setting up shop in small towns, a math error and ergonomic furniture.

the only proper receptacle for unwanted solicitations by mail. If you simply throw them away, they will just keep coming, continuing to waste your time and the soliciting company's money. If there is a business reply envelope, we stamp the material, "Please remove this name from your mailing list" and return it. If there is a local or toll-free long-distance number, we call and politely request that no more solicitations be sent to us. I also use these methods at home and estimate that junk mail in both places has dropped 75 percent.
Lewis E. Burnham
Bartlesville, Okla.

Small-Town Business
I read with great concern the article "Start-Up In A Small Town," by Joseph G. Mason [July]. His idealistic approach to entering small business is at the very least misguided.

Entrepreneurship is commendable when there is a provable demand for the services. There is no substitute for a carefully conducted feasibility study. Indeed, such a study is probably more important in a small town.

With all due respect to Mason, he needs to take off his rose-colored glasses and see the world of entrepreneurship in the cold, hard light of day.
D.K. Long
Marketing, Research and Institutional Consulting Services, Inc.
Milledgeville, Ga.

Calculation Goof
I must take exception to a calculation William Hoffer used in the otherwise excellent "Taking Social Security Private" [July]. Hoffer says it will cost John Q. Private $1,226 for a $2,000 individual retirement account. I compute a cost of $1,440 since he is in the 28 percent tax bracket.

Private would need a salary of $66,960 and, therefore, be in the 38 percent to 42 percent tax bracket in order to be out of pocket only $1,226.

I hope Hoffer has some assistance when he prepares his own tax return!
Robert V. McGrath
Tax Manager
Illinois Tool Works, Inc.
Chicago

Hoffer replies: "Your calculations are correct. I apologize for the error. And, yes, I do receive assistance in preparing my own tax return.

High Tech Update
I read with great interest "The Cutting Edge" [June] on the ergonomics of computer use.

This is a subject that has been largely ignored by proponents of increasingly high technology, and you should be

Send letters to Editor, NATION'S BUSINESS, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

COMMENTARY

Letters To The Editor

commended for addressing the issue. There is one suggestion, however, that should be challenged. An expert quoted in the story says that VDT-related glare problems can be solved with "an ambient light source that can be created by equipping fluorescent fixtures with parabolic lenses." Not so.

A number of VDT-user polls, university (and other independent) research and architectural/interior design empirical knowledge all conclude that indirect lighting is the best way of minimizing VDT glare.

Douglas J. Herst
President
Peerless Lighting Corporation
Berkeley, Calif.

Nation's Business

The United States Chamber of Commerce, publisher of NATION'S BUSINESS, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD
Edward Donley
PRESIDENT
Dr. Richard L. Lesher
GROUP VICE PRESIDENT/COMMUNICATIONS
Dr. Carl Grant
VICE PRESIDENT/PUBLISHING
David A. Roe

EDITOR
Robert T. Gray
MANAGING EDITOR
Henry Altman
SENIOR EDITORS
Henry Eason, Sharon Nelton, Harry Bacas, Ripley Hotch, Karen Berney, Joan C. Szabo
ASSOCIATE EDITORS
Martha I. Finney, Roger Thompson
ASSISTANT EDITOR
Nancy L. Croft
CONTRIBUTING EDITORS
Del Marth, Bob Gatty, Gerald W. Padwe, William Hoffer, Albert G. Holzinger
Linda M. Eanes
PRODUCTION EDITOR
Michael Barrier

ART DIRECTOR
Hans A. Baum
ASSISTANT ART DIRECTOR
Richard C. Freund
SENIOR ARTISTS
Mary I. Czarnik, Angela Reed Breene, Thomas E. Sporeck
PHOTO DEPARTMENT
Laurence L. Levin, photo editor
Frances Borchardt, assistant photo editor
T. Michael Keza, chief photographer

PRODUCTION
Harry N. Miller, director
Seretha Armstrong, associate director

U.S. ADVERTISING
W. Brett Perrine, director
Kathleen Brown, administrator
(212) 370-1440
ADVERTISING MANAGERS
Atlanta (404) 393-0140
James M. Yandle
Chicago (312) 346-3526
Michael McNew
Dallas (214) 387-0404
Richard Chalkley
Dearborn (313) 336-2410
Robert H. Gotshall, Richard Topous
Los Angeles (213) 651-1466
Cathy Adler
New York (212) 370-1440
Raymond Murray, Jerry V. Camporine, Donald B. MacGillivray, Arthur V. Irwin, Jr., Joseph Addonizio
San Francisco (415) 421-7436
Hugh Reynolds

CLASSIFIED ADVERTISING
(202) 463-5640
Jonathan Shonerd, manager

INTERNATIONAL MARKETING
(202) 463-5716
El Motaz Sonbol, director
Patricia Boling, Gabriele Klika, Peter Dunn, managers

CIRCULATION
Steven Fustero, director
Lucy Oliver, manager

PROMOTION AND RESEARCH
Sandra Wade, director
Pamela W. Lambert, research manager
Regina Sokas, promotion manager
Gabrielle Beckman, promotion coordinator

BUSINESS MANAGER
Leonard I. Ripps

Build Your Profits By Managing *Smarter*

With Executive Seminars in Sound

For a surprisingly small investment of time and money, "Executive Seminars in Sound" can teach you the techniques you need for more effective management of *your* business.

Each of the eight, easy-to-follow audio cassettes spotlights the challenges you face every day and gives expert advice on how to meet them.

Here's what you can learn:

1. How to Get Your Ideas Across
2. Make the Most of Your Time
3. Your Role as a Decision Maker
4. Better Management of People
5. Mastering the Art of Delegating
6. Organizing Your Plans and Planning Your Organization
7. Strategies of Moving Ahead
8. How to Live with Your Own Success

These 45-minute tapes come in a compact binder to enable you to listen in your car, at home or at the office. You'll also receive a study guide with a written synopsis of each tape.

You'll profit for a lifetime from a $95 investment in "Executive Seminars in Sound." Order your set today. If you are not satisfied, return it within 15 days for a full refund.

Plus by acting now you'll receive a stereo cassette player FREE with your paid order!

Yours *Free* with cassettes purchase.

To prove that "**ESS**" can work for you any time, anywhere—we'll send you this stereo cassette player free with your paid order.

Try it for 15 days FREE

Guarantee: Send me "**Executive Seminars in Sound.**" If not thoroughly satisfied, I can return it for a full refund.

☐ Check enclosed for $95.
☐ Bill my credit card: ☐ AE ☐ VISA ☐ MC ☐ Choice

Card No.________________ Exp. Date________

Signature________________ Title________________

Name________________ Company________________

Address________________________________

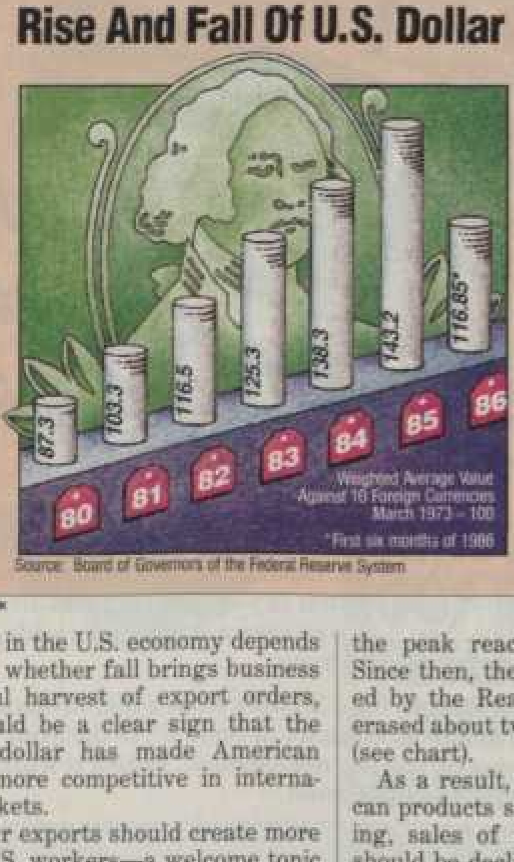
City________________ State________________ Zip________

Nation's Business Executive Seminars Division
1615 H Street, NW., Washington, D.C. 20062
California and D.C. residents, add sales tax.
MAIL COUPON TODAY OR CALL TOLL FREE 1-800-345-8112
Pa. residents call 1-800-662-2224
NB0986

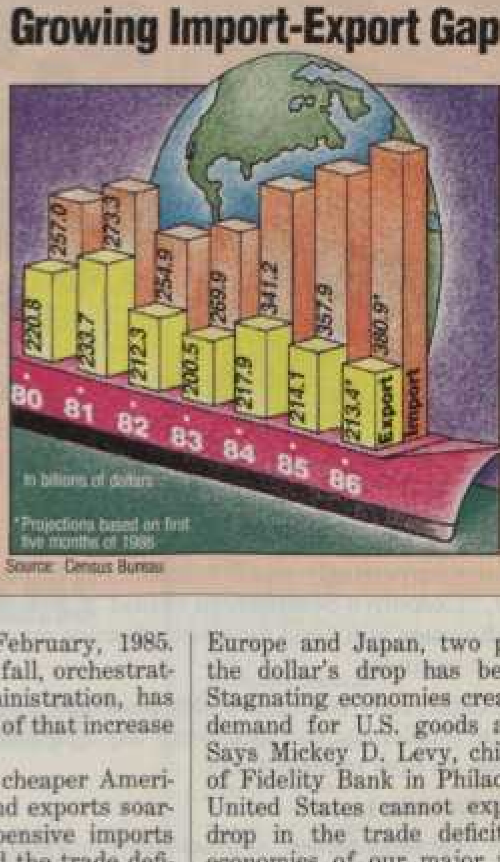
THE NATION'S BUSINESS

Business Outlook

Closing The Trade Gap



Source: Board of Governors of the Federal Reserve System



Source: Census Bureau

An upturn in the U.S. economy depends greatly on whether fall brings business a bountiful harvest of export orders, which would be a clear sign that the devalued dollar has made American products more competitive in international markets.

Healthier exports should create more jobs for U.S. workers—a welcome tonic for a sluggish economy. Economists look for improvement in export figures this fall but no quick fix.

So far this decade, anemic exports and surging imports have produced a string of record annual trade deficits and have taken a heavy toll on the economy. "Since 1982, foreign trade has been costing us about 1 to 2 percentage points of growth each year," says Robert Ortner, chief economist at the Commerce Department.

The U.S. posted a 2.4 percent growth rate for the first half of the year, well below the administration's target of 4 percent for the year as a whole.

America's trade deficit developed in the early 1980s as the value of the dollar rose dramatically on international markets—75 percent between 1980 and the peak reached in February, 1985. Since then, the dollar's fall, orchestrated by the Reagan administration, has erased about two thirds of that increase (see chart).

As a result, sales of cheaper American products should send exports soaring, sales of more expensive imports should be declining, and the trade deficit should be closing. So far it hasn't worked out that way.

Through May, the deficit was running at a record annual rate of $167 billion, up 17 percent from last year (see chart). The question is, why?

Economists say it takes 12 to 18 months for a drop in the dollar's value to make an impact on exports. "Most of us doubted there would be any real improvement until the second half of this year," says Ortner.

Rather than lower prices, some U.S. exporters are aiming for bigger profit margins by maintaining or even increasing prices. Companies that do make price cuts may find that their foreign competitors do the same.

Competition is all the more intense because business is slow in Western Europe and Japan, two places where the dollar's drop has been greatest. Stagnating economies create little new demand for U.S. goods at any price. Says Mickey D. Levy, chief economist of Fidelity Bank in Philadelphia, "The United States cannot expect a major drop in the trade deficit unless the economies of our major trading partners pick up."

The desire to stimulate demand for U.S. goods in Japan and Germany is behind the administration's call for lower interest rates in those countries. Yet some economists contend that the only real cure for the trade deficit is a further decline in the value of the dollar.

Even if the dollar falls further, the United States still will have a growing trade balance problem with South Korea, Taiwan, Hong Kong and Singapore because their currencies are pegged to the dollar. Consequently, their goods do not become more expensive as the dollar weakens. Says David Wyss, a senior economist at Data Resources, Inc., a Lexington, Mass., research organization: "The trade deficit isn't incurable, but it is a chronic illness."

No help yet for the trade deficit; fastest-growing metropolitan areas; consumer confidence at high levels; high home prices vs. low interest rates.

The Consumer Is In A Buying Mood

Consumer confidence, buoyed by low inflation and interest rates, held at historically high levels through the first half of the year. "The consumer thinks he is in the driver's seat," says Richard Curtin, director of the Survey Research Center at the University of Michigan. The center's consumer sentiment index rose to 99.3 in June, just shy of the 101 record set in March, 1984.

The index is based on a random survey of 900 households.

The Conference Board's consumer confidence index, based on a random sample of 5,000 homes, registered 97.5 in June, the 30th month of little change. "In 20 years of collecting data, we've never run into an extended period of steadiness at such a good level," says Fabian Linden, executive director of the New York research organization's consumer research center.

Home Buying Roulette

The double-digit rise in home prices so far this year may have offset the benefits to buyers of waiting for the projected return this fall of single-digit home mortgage rates.

"Home prices are rising so fast that the benefit of a decline in interest rates is being canceled out," says Liz Johnson, a spokeswoman for the National Association of Realtors.

Judy Hustick, a housing analyst with Salomon Brothers in New York, disagrees. Salomon's affordability indexes "don't show that appreciation has overtaken the advantage of lower interest rates," she says.

The average existing home price in May was $103,300, up 14.4 percent from a year ago; the average new home price was $116,100, up 18 percent.

Even if interest rates fall, Hustick expects demand for new homes to decline slowly for the rest of the year.

Where The Jobs Are

For the rest of this century, the National Planning Association says, new jobs will be most plentiful in the sprawling Los Angeles-Long Beach metropolitan area.

PHOTO: U.S. GEOLOGICAL SURVEY—EROS DATA CENTER

California and Florida are the nation's hot spots for new jobs through the year 2000. The two sun belt giants are projected to offer one out of every five new positions created nationwide during the last 15 years of the century.

The National Planning Association forecasts 26.1 million new jobs between 1985 and 2000 and ranks the top 30 metropolitan growth areas.

More new jobs are expected in the Los Angeles-Long Beach area than anywhere else in the nation. Six other California metro areas also made the top 30 list. Florida has five areas on the list, with the Tampa-St. Petersburg-Clearwater area leading the way.

	Year 2000 Job Totals	15-Year Increase
Los Angeles	5,360,100	1,032,000
Boston	3,056,800	754,700
Anaheim	1,849,900	701,500
San Jose	1,458,600	539,200
Phoenix	1,453,700	537,000

NPA projections also show significant growth in older large industrial centers in the Northeast and North Central states such as Boston, Chicago, Detroit and New York.

The turnaround in Boston's economy, fueled largely by growth in high-tech industries, will make the city the second-largest producer of new jobs.

Across the nation, high tech employment in science, engineering and computers will be one of the fastest growing job categories, says Nestor Terleckyj, an NPA vice president. Other leading categories include health care, international trade and personal services. "With more and more women entering the work force, families need additional types of home services," he observes.

Many businesses use job growth projections for long-range planning. "This information gives corporate planners a geography of population and markets," says Terleckyj.

The NPA projections assume a continuation of lower energy costs and lower exchange value of the dollar on international markets.

Washington Roundup

Legislators Wonder: When Will It End?

Sen. Bob Packwood (R-Ore.), below left, and Rep. Dan Rostenkowski (D-Ill.) are key players in a tax law rewrite whose ramifications are still being studied. Congress is also studying such questions as how many alien "guestworkers" should be allowed into the country annually to harvest perishable produce.

PHOTO: T. MICHAEL KEZA

PHOTO: JOHN RUNNING—BLACK STAR

The 34 senators and 435 representatives up for re-election November 4 face a month of hectic days and anxiety-filled nights.

These members of a Congress that has just reconvened from a four-week summer recess remember well the 352-day session—Congress' 11th longest—that adjourned Dec. 20, 1985, and was notable mostly for its protracted and inconclusive wrangling. They now desperately want adherence to a planned adjournment date of October 3, which would permit a month of campaigning.

Business lobbyists are as nervous and unsure as incumbents about when the 99th Congress will adjourn and what, if any, significant legislation it will pass. Measures most frequently discussed by business lobbyists include:

Tax reform. Congress' historic tax reform debate is all but over, and the President is expected to sign this legislation in September. But it will take months for accountants and tax lawyers to determine what impact the measure will have on specific businesses and individuals.

However, it is clear that many firms that are not capital-intensive, and that therefore would be little affected by such changes as repeal of the investment tax credit, will enjoy tax cuts. That is especially true of those that are unincorporated and therefore pay taxes at individual rates (individual rates will drop more precipitously than corporate rates). It also is apparent that, as a whole, corporations will pay at least an additional $100 billion in taxes through 1991, with the burden falling most heavily on manufacturers and other capital-intensive businesses.

Deficit reduction. Congress' budget decisions in 1986 have given businesses something to jeer at and something to cheer at.

The 1987 budget resolution approved by lawmakers in June provides for a deficit of $142.6 billion, below the $144 billion target in the Gramm-Rudman-Hollings balanced budget law—last year's one legislative landmark. But it is now generally believed that sluggish economic growth, continued 7 percent unemployment, failure to achieve budget savings assumed by the resolution, excessive appropriations and other factors will push the deficit beyond—perhaps well beyond—$160 billion.

Congress overwhelmingly affirmed $11.7 billion in 1986 spending cuts invalidated by a Supreme Court ruling that Gramm-Rudman's automatic fund-sequestration mechanism is unconstitutional because it vests executive branch powers in the comptroller general, an agent of the legislative branch.

But by their reluctance to patch up the objectionable provision of Gramm-Rudman, House members signal that they may be unwilling to affirm further, possibly much larger, spending cancellations for 1987. Those sequestrations would be possible under a fallback Gramm-Rudman provision—not involved in the Supreme Court decision—requiring approval by both houses of Congress and the President of across-the-board cuts that would have been the comptroller general's province before the decision.

Line-item veto. Last July the Senate failed by two votes to break a filibuster against a bill sponsored by Sen. Mack Mattingly (R-Ga.) that would have empowered the President to veto line

Congress still has a long list of items on its agenda before it can adjourn and get down to the serious business of campaigning.

items in an appropriations bill instead of the entire measure. It was generally assumed that this failure and passage of Gramm-Rudman doomed the proposal for the year and perhaps the rest of the decade.

But after Gramm-Rudman was overturned, Sen. Majority Leader Robert Dole (R-Kans.) hinted that he might bring the line-item veto bill to the floor again before the elections. The bill has wide business support. Its prospects appear good if it gets to the floor, business lobbyists say.

Liability crisis. Dole also has pledged to schedule a floor vote on product liability legislation that the Commerce Committee reported out just prior to the August recess.

This measure would provide settlement incentives; punitive damage defenses for drug and aircraft manufacturers; and limits on joint-and-several liability, punitive damages and sellers' liability. But the U.S. Chamber of Commerce says it is only a mixed blessing for business.

The organization is seeking addition of such steps as a return to a fault-based standard of liability; inauguration of installment payments for large damage awards; and imposition of limits on attorneys' contingency fees and on the collateral source rule, which bars reduction of damage awards to plaintiffs by the amount of other awards like workers' compensation.

Though the Senate and House may not complete action on this or a related bill this year, they almost surely will send the President the Risk Retention Act. This measure, passed 96-1 by the Senate during the summer, would facilitate organization of self-insurance groups, preempting state laws on the subject. The bill is before the House Energy and Commerce Committee.

Family leave. Business lobbyists are keeping nervous watch on the Family and Medical Leave Act, legislation that would require employers of 15 or more persons to provide up to 18 weeks of unpaid but job-protected leave every two years for care of newborn, newly adopted or seriously ill children or elderly parents.

Business representatives have all but conceded House approval of this bill, which has strong election-year appeal. But they are optimistic about their chances of derailing the measure in the Senate Labor and Human Resources Committee—using the logic that it would: 1) be harmful to small firms, which cannot afford to lose key personnel for protracted periods; 2) infringe on business' right to manage; and 3) spark discrimination against women in their childbearing years.

Immigration law revision. Business lobbyists also are wary of the immigration law overhaul stalled in the House Judiciary Committee. Progress of this measure has been impeded for the entire congressional session by a largely nonbusiness question: How many alien "guestworkers" should be allowed to enter the United States temporarily each year to harvest produce?

But business representatives hope that debate on this issue between growers and organized labor goes unresolved this year, because the delay gives them more of a chance to marshal strength against another provision in the bill. It would require even the smallest of employers to verify job applicants' citizenship and maintain supporting records.

Trade legislation. Business hopes for more than defeat of objectionable legislation during the remainder of this congressional session. For example, it is lobbying for enactment of omnibus trade legislation that would help attain such goals as expanded world commerce, increased U.S. international competitiveness and reduced unfair trade practices by other countries.

The House already has passed a broad trade bill, but business groups oppose this legislation. The Senate Finance Committee, which had been preoccupied with tax reform, can now turn its attention to trade, says Chairman Bob Packwood (R-Ore.).

Updates

Experts On Exports

Businesses seeking to wade into the nearly $2 trillion-a-year world export market may be interested in the Global Catalog Marketing Program.

This service puts your export needs—including finding agents, distributors and joint-venture partners—into the hands of the proper people abroad. It also provides descriptions in seven languages of goods and services you supply.

For more information, write World Trade Information Center, P.O. Box 4050, Estes Park, Colo. 80517.

Not Cooking With Gas

Continued low oil prices have sparked congressional interest in further natural gas deregulation, but the odds are worse than ever that lawmakers will endorse more decontrol this year.

A slew of decontrol bills, including proposals by the Reagan administration, are before Congress, but Rep. John D. Dingell (D-Mich.) is standing in their way. Dingell, chairman of the House Energy and Commerce Committee and longtime nemesis of energy companies and government energy regulators alike, is refusing to schedule hearings on even the most limited of these measures. It would repeal Fuel Use Act restrictions on new gas-fired boilers.

Federal Words To The Wise

Government paper work may be burdensome, but some things that government commits to paper may lighten your burdens. You can discover and obtain helpful federal publications through a Government Printing Office catalog containing more than 1,000 entries. Titles in the catalog, which is updated regularly, range from "Doing Business With China" and "Small Business Subcontracting Directory" to "The Anatomy of a Mine From Prospect to Production."

Write New Catalog, P.O. Box 37000, Washington, D.C. 20013.

THE NATION'S BUSINESS

Small Business Report

A growing flower dispute; squeeze on another financing source for small business; the home office deduction.

Budding Battle Over Cut Flowers

Growers hate them. Retailers love them. Wholesalers, caught between the two, don't know what to say. And consumers will not know for months whether they will have to pay more for the brightly colored objects of this intra-industry dispute—fresh-cut, imported flowers.

Planeloads of imports arrive every day from three continents, fueling a boom in the cut-flower business for the nation's more than 20,000 retail florists. But American growers complain that the boom is putting them out of business because of unfair foreign competition. They maintain that foreign governments subsidize flower production and that foreign growers dump flowers on the U.S. market at prices below production costs.

After reviewing a growers' petition alleging unfair competition, the International Trade Commission ruled in July that imports from 10 countries may indeed be injuring the domestic cut-flower industry. The countries are Canada, Chile, Colombia, Costa Rica, Ecuador, Israel, Kenya, Mexico, the Netherlands and Peru.

Five types of flowers were named: carnations, chrysanthemums, alstroemeria (a lily type), gypsophila ("baby's breath") and gerberas (a daisy).

The Commerce Department now must determine whether subsidies or dumping are taking place. If so, the trade commission can assess penalties or tariffs. A final ruling will take six months to a year.

Meanwhile, rival flower industry groups will continue their verbal skirmishes in the nation's most colorful trade dispute. Imports already account for 60 to 70 percent of the cut flowers sold in the United States.

"A lot of American flower growers have gone out of business [as a result of imports]," says Raymond Hasek of Davis, Calif., spokesman for the Floral Trade Council, one of four growers' organizations that filed the trade commission petition.

That may be so, but imports are not to blame, says William A. Maas, executive vice president of the Florists' Transworld Delivery Association. FTD adamantly opposes restrictions on flower imports. "The flower business is changing from mom-and-pop production on small fields around cities to major production in places like California and offshore," Maas says. "The property many growers used became so valuable they sold out to real estate developers and retired."

Senior Inspector Michael Sinclair, U.S. Customs, examines flowers imported from Medellin, Colombia, at Miami International Airport.

PHOTO © DEBRA SCHULKE

Maas says FTD is "totally opposed to dumping" and is conducting its own investigation of that charge. "But subsidies are a moot point," he adds, because U.S. growers receive agricultural tax breaks that are tantamount to subsidies.

The nation's largest wholesale flower distributors association finds it difficult to take sides in the dispute because it represents both growers and retailers. "Right now, we're on the fence," says Archie J. Clapp, executive vice president of the Wholesale Florists and Florist Suppliers of America. He has commissioned a poll of the association's 1,100 members to guide its position.

Capital Crunch For SBICs

America's 500 federally supported small business investment companies are pushing to sever a 28-year relationship with the government and strike out on their own. The issue for these risk-taking firms is a kind of risk they are not accustomed to: uncertainty of future federal funds.

SBIC supporters in Congress want to "privatize" funding by creating a quasi-governmental Corporation for Small Business Investment. The corporation would serve as a capital bank to provide funds that SBICs and MESBICs—minority enterprise small business investment companies—would funnel to small businesses through stock purchases or direct loans.

While the Reagan administration champions privatization, it opposes a COSBI bill introduced in the House, saying it would require too much federal financial involvement. Even COSBI backers doubt that Congress will act on the bill this term, but they are optimistic about passage next year.

SBICs are private, federally licensed firms that provide venture capital to risky but promising small businesses. Since 1958 SBICs have invested more than $6 billion in about 70,000 small firms unable to obtain funds through conventional channels. Last year SBICs invested in more than 4,000 companies for an average of $129,000 each, says Thomas J. Noojin, chairman of the National Association of Small Business Investment Companies.

The companies get their initial capital from private investors. Until recently, they "leveraged" that capital by borrowing up to $4 from the Federal Financing Bank for every $1 in private funds. The Small Business Administration guaranteed repayment to the bank.

Last April, during House-Senate negotiations on the budget, the Federal Financing Bank lost its authority to make further loans to SBICs, cutting off their access to leveraged financing. Congress provided for a new funding mechanism that would permit SBICs to borrow from private capital markets

THE NATION'S BUSINESS

Capital Crunch For SBICs

with help from the Small Business Administration. But the first funding under the new arrangement is not expected until September.

Uncertainty over future funding levels and the Reagan administration's repeated attempts to kill the Small Business Administration have hurt SBICs' ability to attract investors, adding urgency to the push to create COSBI, says Noojin.

Under the House bill, COSBI would provide a new source of leveraged dollars to SBICs. COSBI would be run by a board with five members appointed by the President and 10 elected by stockholders. It would be similar to the Federal National Mortgage Association (Fannie Mae) and the Student Loan Marketing Association (Sallie Mae), private companies with limited federal oversight.

Although COSBI would not require annual federal funding, the House bill would authorize the Treasury to buy up to $500 million in COSBI securities to protect the corporation from insolvency—provided Congress approved the purchase.

The bill also would allow COSBI to purchase, through the issuance of debt securities, about $1 billion in discounted SBA-guaranteed securities from the Treasury, giving the corporation its initial asset base.

In addition, the bill provides for a $100 million cash grant for MESBICs.

"The SBA fully supports the concept of truly privatizing the SBIC program, but we must oppose this bill because it continues key elements of federal financial support," says Robert A. Turnbull, associate deputy administrator of the SBA.

Easing Home Office Tax Deductions

Thanks to a determined owner of a coin-operated laundry in Appleton, Wis., it has become a little easier for some business owners to claim a home office tax deduction. Since Congress clamped down on home office write-offs 10 years ago, a once-generous deduction has been almost squeezed to death. But Sally Meiers wouldn't take no for an answer when the U.S. Tax Court denied her deduction.

On average, Meiers spends an hour a day at her laundry and two hours in her office at home drafting work schedules and doing bookkeeping. The U.S. Court of Appeals for the Seventh Circuit permitted the deduction, saying: "In determining the taxpayer's principal place of business, we think a major consideration ought to be the length of time the taxpayer spends in the home office as opposed to the other locations."

New White House Conference Director

Ralph Stanley, executive director of the White House Conference on Small Business, says it will set small business' agenda through the 1980s.

PHOTO: DENNIS BRACK—BLACK STAR

Ralph L. Stanley had two strikes against him from the moment in June when he took over as executive director of the White House Conference on Small Business: no small business experience and a full-time federal agency job from which he is on leave.

Paul Kirk, chairman of the Democratic National Committee, charged that Stanley would run the conference "out of his hip pocket while keeping his other government job" as head of the Urban Mass Transit Administration. "He should either serve full time in this important job or quit," said Kirk.

Stanley, 34, dismissed such criticism as misguided. "I'm putting in seven days a week as full-time administrator," he said prior to the conference, held August 17-21. (Complete coverage of the conference will appear in the October issue of *Nation's Business.*)

Congress has asked for a complete report on conference actions and recommendations by September 30. Afterward, Stanley plans to return to his old job at the Transportation Department. He predicts the conference will make a lasting impression on Washington policymakers.

"The conference recommendations will set the agenda for small business for the next several years," says Stanley. "Perhaps the most important aspect of the conference is that suddenly the entrepreneurs are America's cultural heroes. They are to the 1980s what the astronauts were to the 1960s."

Small business is responsible for creating most of the 11 million new jobs in this country since 1980, a record widely envied. "Europeans call it the American economic miracle," Stanley says. "The strength sustaining our economic recovery has been small business."

Following the last White House Conference on Small Business in 1980, two thirds of the delegates' recommendations were implemented. "This conference has every bit the potential of the 1980 conference, and even more, for getting things done," says Stanley.

Critics have questioned the Reagan administration's commitment to small business, charging that the White House has a big business bias. Stanley, the third conference executive director since preparations began in 1984, defends the administration's record.

"Many of the major recommendations are things that the administration has been talking about for six years: line-item veto, balanced budget, tax reform, procurement and regulatory reform, and privatization," Stanley contends.

"Small business has never had a better cheerleader in the White House than Ronald Reagan."

COVER STORY

It's Never Too Late

By Nancy L. Croft

Carmen Jones' life did not have enough pizzazz, so she turned back to pizza. The mother of two and grandmother of seven had worked in the frozen pizza business her husband, Jess, had founded, and she went into retirement with him when he sold it in 1967. Not once did she dream, at the time, that entrepreneurship was in her future.

In the next 10 years, Jess and Carmen did a lot of golfing and traveling. Then, says Carmen, "I just got bored. I needed something to keep me busy." She talked to Jess about opening a pizza shop in Wausau, Wis., where they lived, but Jess did not want to come out of retirement. So she went ahead on her own, taking out a loan and renting a site on a corner. By 1979 she was selling franchises. Today the business has grown to more than 30 stores—most of them franchised—in four Midwestern states.

With operators avoiding the headaches of running restaurants—Kids Korner Fresh Pizza, Inc., purveys an unfrozen product that it calls "we make 'em, you bake 'em" pizzas—Carmen thinks the number of outlets will double by mid-1987. She will be 71 then.

Thomas Duck says he has drawn paychecks in 26 different occupations. Though he spent 30 years selling insurance, Duck found time to be a toy manufacturer, automobile upholstery repairman and converter of buses into mobile homes during a long career.

But an idea that came to him while he was looking out the window one afternoon in retirement is making him the most money by far, as well as providing a lot of satisfaction. Five cars were lined up in the two-acre front yard of his Tucson, Ariz., home—they included vehicles belonging to his son and daughter, who then lived with their families on the 12-acre property. Duck joked that since the yard looked like a car lot, he ought to rent out cars.

He thought about it some more and decided there could be a lot of money in buying used cars, cleaning them up and

"This pizza business brings out the kid in me," says Carmen Jones, 70. Bored with retirement, she founded Kids Korner Fresh Pizza, Inc., in Wausau, Wis., when she was 61. Today her company stores and her franchise operation are worth millions.

PHOTOS: T. MICHAEL KEZA

More and more senior citizens, bitten by the be-your-own-boss bug, are starting businesses these days. They face some special pitfalls—but they also have some special advantages.

At 71, Mike Parker (left), of Glendale, Calif., founded New Career Opportunities, Inc., to teach retirees how to turn hobbies into businesses. NCO graduate Peggy Schoeny (front right), who retired last year, owns Kathy's Kakes, in El Monte, Calif. Often, a hobby turned business is a family affair. Schoeny, 58, employs her twin daughters, Kathy Schoeny Perez (middle left) and Judy Rose (right).

renting them out at half the cost of what big-name auto rental companies charge for the cars they buy new. Enter the Ugly Duckling Rent-A-Car System, Inc., which purchases last year's models and further cuts costs by keeping them twice as long as most rental firms keep their cars. Duck says he has also reduced expenses by forming his own insurance brokerage to act as a middleman between his company and insurance firms.

In the years since its founding in 1977, Tom Duck's Ugly Duckling has become the fifth largest auto rental firm in the United States, with over 500 franchises. Duck is 72.

Thomas Murray says he never really planned to start a company. Forced to retire from a 29-year career of managing investments for a real estate investment firm, under a company policy that made 65 the retirement age for everyone, Murray spent two years selling his knowledge as a consultant.

Then a mutual friend persuaded him to go into business with an energetic young man who wanted to start a real estate investment and development firm. Murray saw this as a chance to put his experience to work in helping an entrepreneur get started. It was a good business opportunity for himself, too.

In eight years, American Continental Properties Group, of New York City, has become a 40-employee corporation with over $300 million in assets. Murray is 75.

Entrepreneurship, Murray, Duck and Jones argue, has no age limit. Enjoying excellent health and bountiful energy, they are part of a growing group that is redefining the time of life the business world has traditionally considered to be rocking chair years.

A desire to build a larger nest egg to pass on to children prompts many older people to launch their own enterprises. Others see taking the plunge as a refreshing alternative to what can be an empty retirement. Most agree that starting a business heralds a fuller life.

According to the Bureau of Labor Statistics, more than a million people over 60 were self-employed in nonagricultural occupations in 1985.

Although small business experts believe that the be-your-own-boss bug typically bites between ages 27 and 35, "there definitely is a trend toward older entrepreneurs," says Jeffry A. Timmons, professor of entrepreneurial studies at Babson College, in Babson Park, Mass. He adds: "I think we're going to see it continue."

Over-65s, the country's most rapidly growing age bracket, have increased

COVER STORY

It's Never Too Late

Thomas Duck, 72, buys last year's car models, keeps them spruced up for twice as long as most auto rental firms and rents them at half the cost. His nine-year-old Ugly Duckling Rent-A-Car Systems, Inc., of Tucson, Ariz., is the fifth largest auto rental firm in the country.

PHOTO: T. MICHAEL KEZA

twice as fast as the rest of the population in the last 20 years. The American Association of Retired Persons estimates that 2 million people celebrated their 65th birthdays in 1984 alone—an average of 5,500 a day.

In many cases the odds for success tip in favor of older entrepreneurs, says Ian C. MacMillan, professor of entrepreneurship and director of the Sol C. Snider Entrepreneurial Center at the University of Pennsylvania's Wharton School. Financially, they often can cope with temporary reverses better than their juniors can. Older entrepreneurs, says MacMillan, "don't have those fixed expense commitments they had in earlier years, like bringing up children or paying on mortgages."

Conversely, when a business is doing well, older entrepreneurs often are able to freely invest more money. Says Frank Johnson, professor of psychiatry in human development and aging at the University of California at San Francisco: "People who are very productive usually have provided well for themselves for retirement."

J.R. "Red" Uldrick, 72-year-old owner of a travel agency and a weekly newspaper in Sun City and Sun City West, Ariz., does not rely on his businesses for his livelihood, though they are doing quite well. "If the truth were known, and I'm not fudging on this, I don't take a salary," he says. Uldrick prefers to plow earnings back into the businesses, drawing instead on investments and Social Security.

Experts say people of retirement age often have an edge in finding financing, too. "They have a tremendous secret weapon in their rich experience and their contacts," says Timmons. "If they have been good at all, they have built up a reputation for credibility and reliability. That's the stuff that really gets you collaboration from investors."

Monetary gain for themselves is at the bottom of the list of motivators for older entrepreneurs, Johnson says, though gain for the benefit of children is a frequent motive.

Tom Duck says that one reason he quit selling insurance to get into entrepreneuring was that "in the insurance business, there wasn't much for a child to inherit." Tom and his wife, Junia, who is vice president, plan to pass on Ugly Duckling Rent-A-Car to their son and daughter.

Their son, Thomas, Jr., currently serves as chief executive officer. Their daughter, Carolynn, heads a division that sells auto accessories embossed with the company logo to franchisees. Her son, Christopher, is also involved in the company. He is learning the printing business at the corporate print shop, which produces rental and franchise agreements, brochures and franchise information.

Most people who start a business instead of living in retirement try to make their second career less pressured than their first, though some may put in as many—or more—hours. J.R. Uldrick owned and ran a golf course in Hawaii for several years before he decided to quit at 58. "Both my parents died in their early 60s of cerebral hemorrhages, and I had a feeling that I was going the same way," he recalls. "I thought: If I'm going to have a cerebral hemorrhage when I'm 61, I want to get out and smell the flowers a little." Uldrick and his wife moved back to the mainland and settled in Sun City. That was in 1972.

After four years, Uldrick, at 62, felt healthier than ever. He thought it would be the perfect time to sign a new lease on life on his own terms. He started by rejuvenating a foundering travel agency that he originally had invested in as a silent partner. After two years, he bought his partner out and expanded to three other offices in Sun City and Sun City West.

At these communities outside Phoenix, developed by Del E. Webb Communities, Inc., people of retirement age are encouraged to lead active, vigorous lives. Businesses run by people over 60 flourish. Residents also do a lot of traveling, says Uldrick, who several times a year leads tours in exotic countries.

On a typical day, Uldrick rises before dawn to spend a few hours working on the *Wester*, the newspaper he founded a year ago to report goings-on in Sun City West. Then he puts in a full day at his Thunderbird Travel agency.

Some older entrepreneurs seek a more relaxed work schedule. Walter Ewing, 66, started a woodworking business in Peoria, Ariz., when he retired two years ago. "You have to retire to something, you can't just retire to re-

tirement," he says. Previously an aeronautics field engineer, Ewing planned his retirement for nine years. He wanted to establish a company at which he could put in flexible hours and be under little stress.

Woodworking had always been his hobby, so he decided to turn it into a business. He came up with a way to camouflage unsightly rooftop air-conditioning units on houses in the Phoenix area by constructing picket or lattice fences around the units. He achieves his goals of flexible hours and little stress by turning down or postponing jobs when he feels like it.

Ewing says his new career keeps his wife sane. "She says she married me for better or worse, but not for lunch," he jokes.

Turning a hobby into a business is a way to recuperate from the depression that can accompany retirement, says Mike Parker, 79, founder of New Career Opportunities, Inc., in Glendale, Calif. "All of a sudden you're not very important to the world," he says. Eight years ago, he started a service to help retirees like himself adjust to their newfound freedom. "In retirement you're primarily directing yourself for the first time," says Parker.

After a 24-year career of raising funds and organizing programs for Junior Achievement—a business-funded organization in which business volunteers help youngsters gain a working knowledge of the free enterprise system—Parker decided to apply J.A.'s learning-by-doing method to adults. He set up a school to instruct retirees on how to turn hobbies or other interests into businesses. Funded by the Los Angeles Rotary Club, New Career Opportunities is a nonprofit, 11-week program with guest lectures by local business leaders. It has graduated more than 400 students.

People who have been active all their lives often find it difficult to resign themselves to lives of leisure during retirement. In 1984, a 65-year-old man could expect to live 14.5 more years, and the life expectancy of a woman the same age was 18.7 years, according to the National Center for Health Statistics. "People are living a lot longer than they expected," observes Ian MacMillan. So, he says, retirees "are saying to themselves, 'Why should I sit in a rocking chair when there are interesting and exciting things to do?' "

To Samuel Hachtman, the answer was easy. "When you work, and your mind is occupied, you keep healthy, and you don't get lazy," says Hachtman, who at 63 left a long career as a corporate lawyer to start Sugarless Candy Corporation, in Chicago. Though Hachtman, now 85, sold the business in January, he is staying on as a consultant, working six days a week as he always has. "You'd be surprised how many aches and pains you get just sitting at home in a chair," he says. "I never get tired."

Two years after forced retirement, Thomas Murray, at 67, helped found a property development firm, American Continental Properties Group, of New York.

PHOTO: ALAN DOROW—JB PICTURES

Frank Bauer does not have much leisure time now, either, but he says he may hang up his corporate hat in nine years—at 95. He has worked 71 consecutive years, with only five weeks of unemployment during that stretch.

Bauer, who looks like a trim Col. Sanders, started his Sun City-based Portable Diesel Power, Ltd.—a diesel construction equipment leasing business—when he was 60. He says he has no hobbies, he just loves to work.

"I don't think anybody enjoys working more than I do," he says, tapping the brim of his white, flat-top hat. But some of his employees are in the running. Bauer's accountant, George Brierley, is 73, and one secretary, May Rau, is 75. The other secretary, Eleanor Wagnild, 86, has worked for Bauer for 22 years. "She's a real live wire," Bauer says.

Pizza franchisor Carmen Jones was raised on a Wisconsin farm during the Depression and learned from her parents that being energetic and innovative would get her ahead in life. She had several direct selling jobs and, in the 1950s, she owned a Merle Norman cosmetics and gift shop in Oshkosh, Wis.

In her late 40s she married Jess, and she became more than his wife and companion. She became his marketing director, peddling his frozen pizzas (then, in the mid-1960s, a new food discovery) to Midwestern supermarkets. She remembers sashaying up to supermarket managers' offices and, with no appointment, announcing her arrival. "I was much smaller then and wore big hats," Carmen recalls. After two years of continual travel and hectic schedules, she grew weary of her job. She was ready for retirement. Jess was ready, too, so they sold the business.

When Carmen became weary of retirement 10 years later, she surprised Jess by announcing that she wanted to start a pizza shop and hoped he would join in the venture. Jess, four years older than Carmen and recovering from a heart attack and stroke, declined. He did, however, help her clean up the shop she had selected for her new enterprise.

She recalls: "One day a longtime friend stopped by to see what we were up to and said, 'I thought you had retired. What do you think you are, a couple of kids?' And I said, 'Yeah, this is kids' corner.' "

The joke not only became the name of her business, which features the same secret Northern Italian sauce recipe used in Jess' old business, but it also had another significance. Working with franchisees and expanding Kids Korner Fresh Pizza, Inc., keeps her young, Jones says.

"If I don't have anything to do, I get ornery. I have to put my mind on something. I have to keep learning."

Jack Fenimore built a business around the love of learning, but he had to wait 40 years to do it. When he went into World War II as a fighter pilot, Fenimore was trained audiovisually with slide shows and motion pictures. He realized then that audiovisuals had potential as an effective teaching aid

In addition to reviving and expanding a travel agency, J.R. "Red" Uldrick, 72, (left) of Sun City, Ariz., started a weekly newspaper to report the events of Sun City West. He usually rises before dawn to put in a few hours at the paper, then works a full day at the agency.

PHOTO: HARRY REDL—BLACK STAR

for the general public, but he could not see a business opportunity.

Nevertheless, he made a career for himself in an allied field—photography and film production. In 39 years with various production companies and advertising agencies, Fenimore produced everything from corporate training films to television commercials. It wasn't until video cassette recorders became popular that he finally saw his chance to sell the idea of instructional videos for use in the home.

At 60, Fenimore took early retirement from an ad agency and founded Mid-Com, Inc., based in Evansville, Ind., to produce how-to video cassettes on more than 150 subjects, ranging from watercolor painting and foreign languages for adults to lessons for children on how to become a magician or cartoonist.

Today, the three-year-old company's cassettes are distributed nationwide. To Fenimore, starting a business during his retirement years was "an opportunity to do what I thought I was going to do when I got out of the service in 1945. But the industry wasn't ready for me until the 1980s."

You might think that health would be more of a problem for older entrepreneurs than for their younger counterparts. Not necessarily. In addition to living longer, the over-60 generation is enjoying better health, say experts. Improvements in diet and medical science mean that older people less frequently succumb to debilitating diseases and infirmities.

Good health and the older entrepreneur seem to be synonymous, says Karl H. Vesper, professor of business administration at the University of Washington, Seattle. "You could surmise that only a person in good health would start a business, or you could surmise that when someone is starting a business it is such an exciting activity that they don't have time not to be healthy," he says. "If it is the latter, then I think it is a tremendous thing for older people to do."

Starting a company at any age causes stress, says psychiatrist Frank Johnson. Johnson says warning signs of too much stress—such as insomnia, increased alcohol consumption or gastrointestinal disorders—"would not be any different for older people than the signs that would appear when they were younger."

If Tom Duck is having a bad day, you will find him playing the piano. A self-taught musician, Duck says that when the demands of his multimillion-dollar auto rental franchise operation get the best of him, he closes his office door and serenades himself on his Baldwin spinet until he cannot remember what his last conversation was about. "It's my Valium," he jokes.

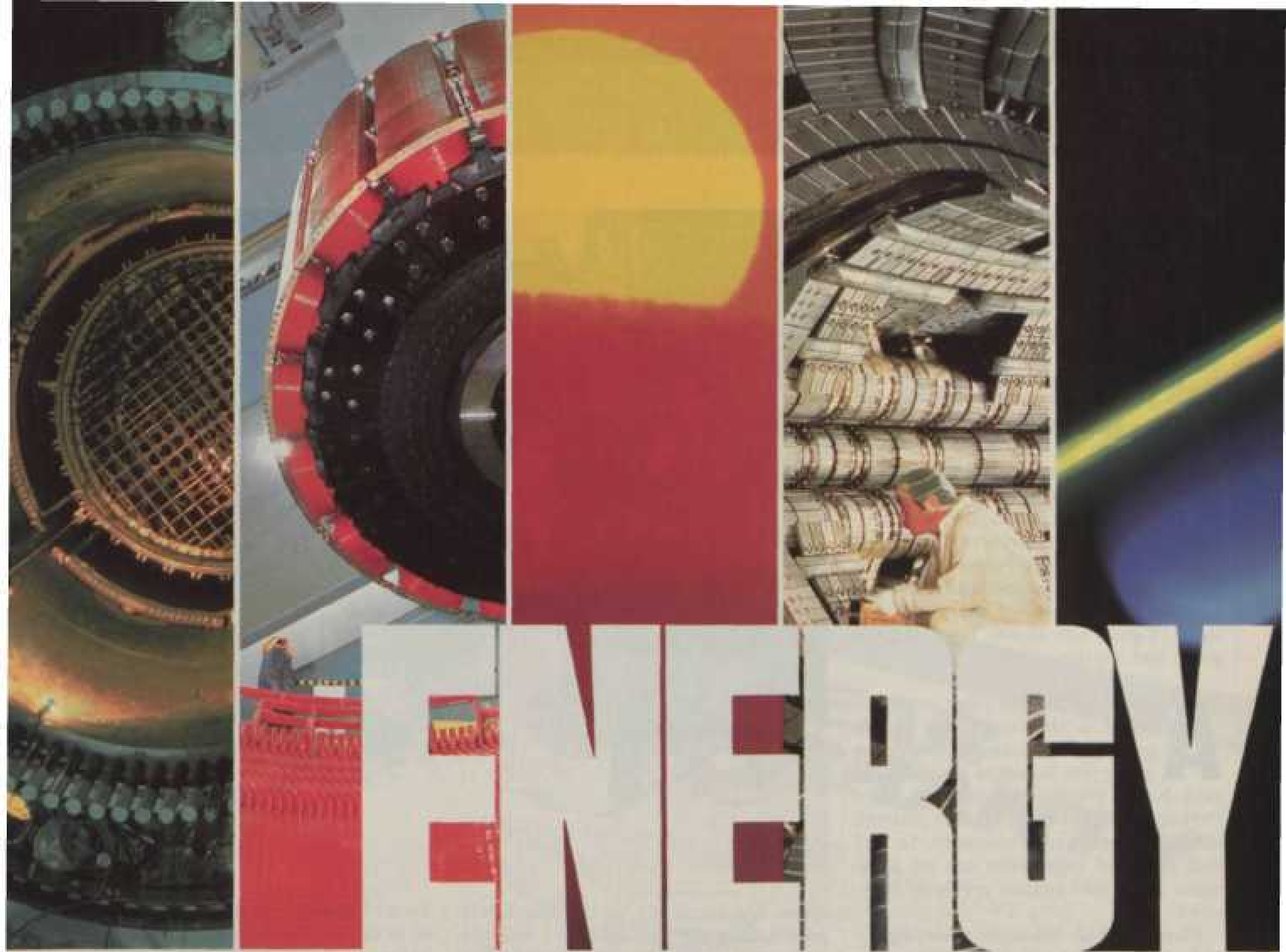
Duck has also built a health spa—complete with hot tub, weight-lifting equipment, sauna and massage room—for his employees at his new corporate headquarters in Tucson. The object is "to ensure the durability of yours truly and the rest of the company," he says.

Calisthenics at 7 a.m. are a daily routine for developer Thomas Murray, who finds respite in his weekly bowling game and in the golf games he plays three times a week. Murray can afford the luxury of so much time on the links because his partner holds the reins when he is away. Taking on a partner is a good idea for the older entrepreneur, says Murray, "because if you're like me, you may not want to work full time."

Carmen Jones visits a chiropractor regularly and takes vitamins to keep herself as energetic as ever. Her 14-year-old granddaughter, Sarah, who has worked after school at a number of the pizza shops since she was 7, attests to her grandmother's energy. "I don't even have to be out of bed before she runs me ragged!"

Keeping fit and full of energy does not prevent older entrepreneurs from experiencing the frustration of typical problems that come with running a small business. And they realize that age can at times present special pitfalls.

Jones says one problem older women entrepreneurs encounter is that "some younger men have the idea that they


ENERGY

can pat an old lady on the back, be nice to her and then do what they want." She recently had to let a young supervisor go. "I kept finding out that things were not being run according to our company rules," she says. "I talked to him three times, but he would go ahead and do what he wanted."

Crime can be a particular concern for businesses run by the elderly. The Cheese House, of Sun City, has several workers over 60 and is owned by Roland Schlueter, 65, and his wife, Mary, 51. Criminals "prey on the elderly," Mary says. She remembers the terror she felt when a man robbed the store last year. "I was the one who was staring down the barrel of the gun," she says. "I gave him $1,000. I would have given him anything."

Another pitfall for older entrepreneurs is the temptation to bypass precautions that anyone going into business should take, says New Career Opportunities' Mike Parker. It is a mistake, he tells retirees thinking of starting businesses, to feel that years of experience are an automatic safeguard against errors in judgment.

Planning the business thoroughly and doing adequate preliminary research are essential, he says. The next step, he says, is to start out small: "You can't afford to start big and risk your nest egg, because you don't have enough time to recoup it if things go wrong."

Hazel Oates, 57, and her husband, James, 66, found out the hard way that research can be vital. Although their faltering business poses no real economic tragedy for them, the Oateses are saddled with a lease on a self-service laundry that sees few dirty clothes.

When James retired, and the Oateses moved to Sun City West from England, Hazel—vivacious and outgoing—wanted to keep on working. She found a job with a Sun City corporation, but it didn't have enough challenge for her. A friend in San Francisco suggested that she start a business and offered to finance it. After talking to neighbors in Sun City West, Hazel discovered that some people were not installing washers and driers and were using their laundry rooms for dens or studios. She decided to open a Laundromat.

"I had never been in a Laundromat," she admits, "but I thought it was a service that was needed here." Without conducting any market research, she signed a lease on some commercial

Jack Fenimore (left) took early retirement at 60 to start Mid-Com, Inc., of Evansville, Ind., which produces how-to videos for adults and children. "Kids in the Kitchen," with Cory Underwood, mother Karen and sister Ashleigh is one of 150 videos Mid-Com is producing.

PHOTO: CHIC CECCHINI

space. She found out too late that fewer people than she thought had actually converted their laundry rooms. The amount of laundry the business takes in barely covers the overhead, Hazel says. She would like to sell out and start some other enterprise, but she sees no prospect of selling an unprofitable venture. Suds City West Laundromat has two years to go on its three-year lease. "We're working for the landlord," says Hazel.

Mike Parker says that retirees and prospective retirees who think they have a product or service that could mushroom into a business should test it out on friends and do plenty of market research to see if consumers are really receptive to the intended product or service. He also suggests they glean advice from other older entrepreneurs and from people of whatever age who already are in a business like the one they are considering.

And would-be entrepreneurs should be certain they are willing to give up their freedom for a business commitment, he cautions. Like Ugly Duckling and Kids Korner, small businesses can grow unexpectedly into big enterprises.

Another caveat: A salary a business owner draws can impact on Social Security payments. Retirees between 62 and 65 who continue to work may earn up to $5,760 a year and still receive their full Social Security benefits. Retirees age 65 to 69 may earn up to $7,800 annually before their Social Security benefits are reduced. Once a retiree exceeds those earnings limits, benefits are cut $1 for every $2 earned. (In 1990 that will change to $1 for every $3.) After age 70, however, retirees may collect full benefits no matter how much they earn.

Dividends and salary from a business, as well as interest payments, can impact on the tax-exempt status of Social Security benefits. Since 1984 recipients with adjusted gross incomes over $25,000—$32,000 for married couples filing jointly—have had to pay income tax on as much as half of the amount of the Social Security benefits that carry them over those levels. (Fifty percent of their Social Security benefits are counted in figuring adjusted grosses in such cases.)

Jack Fenimore says older would-be entrepreneurs should carefully weigh all the factors before going into business. Once they have decided the positives outweigh negatives, he says, they should "never let anyone talk them into putting it off." He explains: "When you're our age, you don't have enough time to wait." NB

To order reprints of this article, see page 65.

The Two-Front Fight On Trade

By Harry Bacas

Secretary of Commerce Malcolm Baldrige told a group of U.S. business people in Washington recently that the Reagan administration is fighting unfair trade practices more aggressively than any previous administration.

A few hours later, he left for Tokyo, where he warned Japanese industrialists and government officials: "You must take it into your hands to solve your share of the trade problem. I greatly fear that if you don't, a solution will be forced on us that would harm both our countries—but Japan most of all."

Baldrige's approach to the different audiences spotlighted the administration's method of dealing with a difficult, complex issue—international trade. Involved is the American economy, the economic well-being of major U.S. allies, even defense strategies. And along with foreign policy considerations are domestic political ones. This is a congressional election year.

A basic challenge to the administration on trade policy comes from a strong congressional bloc that argues jobs and even companies are being lost to competition from imports unfairly subsidized by the countries in which they are produced. America, the argument goes, must resort to sterner measures to counter unfair practices—and those measures include protectionism as a last line of defense.

With the day of reckoning at the polls approaching, protectionism is gaining adherents among members of Congress representing states or districts that have lost jobs to imports. The coming months are critical for the administration's goals of more open trade. Says Sen. Frank Murkowski (R-Alaska): "This is an election year, which dictates to senators that they cannot afford to do nothing about the trade crisis."

The White House has adopted a dual strategy—fighting off protectionist forces at home while urging trading partners to drop trade tactics that generated protectionist pressures in the first place.

Protectionists argue that record trade deficits for the United States—$148 billion last year and approaching $170 billion this year—are the result of administration inaction in the face of other countries' unfair practices. The White House counters that it has moved effectively against such practices. Protectionist measures, it argues, would only invite retaliation that would dry up markets for U.S. goods and services.

Secretary of Commerce Malcolm Baldrige is the administration's chief "hawk" on trade. He minced no words with the Japanese.

PHOTO: T. MICHAEL KEZA

In his speech to the business audience in Washington—at a meeting of the International Forum of the U.S. Chamber of Commerce—the Secretary took aim at allegations that the administration lacks a trade policy. "That's ridiculous," he said. "We not only have a policy, we're enforcing it."

Richard L. Lesher, president of the U.S. Chamber, agrees with the administration that enacting protectionist legislation is not the answer: "The fact of the matter is that this problem was 20 years in coming. We have lots of laws on the books to work with. This is the first administration that has begun to use them. We are aggressively pursuing a trade policy, and it's going to pay off in the months immediately ahead."

The administration was able to back up its claim to firm trade policy enforcement with an announcement made a week after Baldrige's speech to the Chamber audience and just 48 hours after his hard-line talk to the Japanese business group.

The White House announced that the Secretary's trip to Japan had resulted in a major agreement on semiconductor sales, which have been a critical point of contention between Americans and Japanese. The Japanese would stop dumping microchips in foreign markets at below-cost prices and would allow increased sales of foreign chips in their own market.

President Reagan, in announcing what he termed "this . . . historic agreement," covered all the major elements of his trade policy:

"By holding to our free market principles but, at the same time, insisting on fair trade, we have created a climate in which the U.S. semiconductor industry should substantially increase its sales position in Japan. We have also set an important precedent to help prevent future unfair trade practices in other high technology industries.

"As I have said time and time again, we will not stand idly by as American workers are threatened by unfair trading practices. We have [taken] and we will take the tough actions that are necessary to ensure that all nations play by the same rules. Today's agreement shows that vigorous enforcement of existing laws can open markets. To succumb to the temptation of protectionism can benefit no one."

Detailing "tough actions" referred to by the President, Baldrige said this administration has been the first to initiate action against unfair restrictions that other countries have imposed on U.S. goods and services. In the past, such actions have come only in response to industry complaints.

Baldrige said another example of aggressive action was the President's declaration of intent last spring to retaliate against new European Community restrictions affecting $1 billion in U.S. farm exports. Result: The Europeans agreed to keep their markets open to

The administration seeks free and fair foreign competition. But election-year pressure in Congress causes talk of protectionism.

Key Players On The President's Trade Team

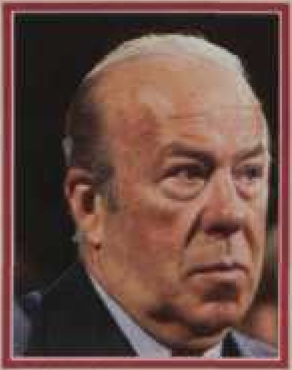


PHOTO: T. MICHAEL KEZA

Secretary of State George Shultz weighs foreign policy considerations of any trade action. He opposes subsidized grain sales to the Soviet Union.

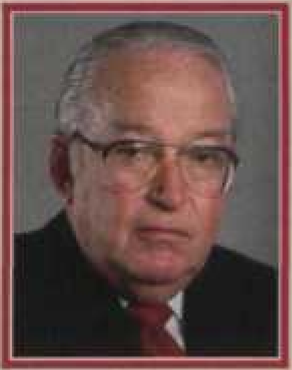


PHOTO: MARK ANGELES—USA TODAY

Agriculture Secretary Richard Lyng looks out for U.S. farmers. He led the fight to keep the European market open to imported grain and oilseeds.

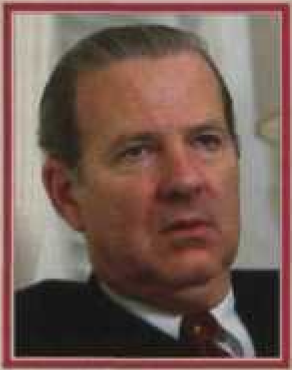


PHOTO: DENNIS BRACK—BLACK STAR

Treasury Secretary James A. Baker III achieved last year's currency adjustment and is promoting growth policies in Japan and Europe.

PHOTO: PAUL FETTERS

Trade Representative Clayton Yeutter carries out President Reagan's trade policy and administers agreements.

the exports pending settlement of the dispute.

In its get-tough approach to trade policy, Baldrige said, the administration has also:

- Taken action against South Korea that opened markets there to U.S. companies selling fire and life insurance.
- Won guarantees of increased South Korean protection against violations of U.S. intellectual property rights—theft of U.S. technology, for example, or production of goods carrying counterfeit labels of American manufacturers.
- Persuaded Taiwan to open its markets to U.S. tobacco, wine and beer.
- Convinced Japan to remove barriers to U.S. leather goods and footwear.
- Induced the European Community to stop subsidies on canned fruit, enabling U.S. producers to compete fairly.
- Brought antidumping actions against exporters of Japanese cellular mobile phones and drilling equipment.
- Imposed restraints on underpriced European steel exports to the United States and opened free trade negotiations with Canada.
- Won U.S. trading partners' agreement for a new round of multilateral trade negotiations, the so-called GATT talks, which start in September in Uruguay.

At the same time, the Secretary raised objections to omnibus trade legislation now pending in Congress. He assailed key provisions as "protectionist, anticompetitive and anticonsumer," though he said that both a House version of the legislation, passed in May, and a bill pending in the Senate have good features along with the bad ones.

In evaluating the legislation, the administration is primarily concerned about proposals that smack of protectionism or would tie the President's hands on trade policy.

The administration is continuing a drive to undermine protectionist forces on Capitol Hill by dealing in its own way with problems that gave birth to the protectionist movement. A major step was last September's highly publicized agreement designed to weaken the dollar, whose strength had made U.S. goods expensive in world markets while making imports less expensive in America.

That plan, negotiated by U.S. Treasury Secretary James A. Baker, involves the United States, West Germany, Japan, Britain and France. The five nations agreed to intervene in their financial markets to strengthen other currencies against the dollar.

Since then, the dollar has declined 25 percent against European currencies and nearly 40 percent against the yen,

but the devaluation has yet to make its full impact on trade.

Japanese auto makers began raising their U.S. prices this year, and their U.S. market share dropped from 21 percent to 19 percent for the year's first half. But prices of many other foreign products have risen hardly at all in this country as producers have shaved profitability rather than lose market share.

U.S. exports also have responded sluggishly, despite the more competitive pricing made possible by the cheaper dollar. Part of the problem has been that the drop in the dollar has not affected the newly industrialized countries of Taiwan, Singapore, Hong Kong and South Korea.

These countries, their currencies tied to the dollar, have kept their prices low enough so that they can continue to undercut U.S. exporters of agricultural and other products.

More recently the administration has been working to help lesser developed nations reduce their debt burdens so they can buy more U.S. goods.

Also, Secretary Baker and Federal Reserve Chairman Paul Volcker have been pushing Japan and Western Europe to stimulate their economies in order to increase demand for imports. Under tight monetary policies, the economies of both West Germany and Japan have been contracting, although Germany's is now rebounding a little. "Either our [trading] partners have more internal growth, or we'll have a sluggish world economy," Volcker told a congressional hearing.

While the administration tackles these macroeconomic factors, it also is getting tough with countries that restrict their markets and give unfair advantages to their own producers.

Getting negotiations on new trade agreements under way has involved a protracted struggle between U.S. representatives and the Europeans. The United States, along with several developing nations, wanted the negotiations to include discussions of national subsidies for agricultural exports. The Europeans, among whom the practice is widespread, did not want the subject on the agenda.

Congress then empowered the President to use up to $300 million in subsidies to promote U.S. grain sales to countries importing subsidized farm products from other nations.

The multilateral talks are aimed at finding ways to increase trade overall as well as to deal with particular problems.

U.S. negotiators hope to head off what amounts to an escalating trade war in which nations retaliate against one another's protective measures by jacking up their own import barriers in an endless cycle.

They remember the unhappy experience of the Smoot-Hawley Act, which set U.S. tariffs so high in 1930 that 25 nations erected retaliatory tariffs. Within three years, U.S. exports fell 60 percent.

A recent echo of that followed President Reagan's imposition of new tariffs this summer on imports of Canadian cedar shakes and shingles. Canada then slapped restrictions on U.S. books, computers and semiconductors.

Baldrige cited the double edge of retaliation when he told the Japanese industrialists that their own protectionist practices are likely to bring the roof down on their heads. He said a frustrated American Congress is close to the point "of unilaterally stopping imports of Japanese goods" because Japan's imports have fallen 7 percent since 1980 while its exports have risen 35 percent.

Though the semiconductor problem has been resolved, many points of dispute between the United States and Japan remain over other products and services. The Commerce Secretary listed them for his Japanese audience:

- U.S. construction firms have been shut out from bidding on any part of an $8 billion airport project at Osaka.
- Cray Research, Inc., of Minneapolis, world leader in supercomputers, has yet to sell a machine to a Japanese university or government bureau.
- Despite three decades of cooperation on space projects, the Japanese government refuses to buy foreign satellites.
- Japan, economically the free world's second most powerful country, couples its foreign aid to poor countries with requirements that they buy Japanese goods.
- "Whether it's soda ash or coal in a declining industry or supercomputers

or satellites in a growth industry, we find the Japanese unwilling to take even our most competitive exports," Baldrige said.

He said Japan is "the major problem" in international trade because "no other nation contributes so little to the open trading system of the world in proportion to what it gains."

In his earlier address to the International Forum, Baldrige analyzed the omnibus trade bill being considered by the Senate. He said good parts of the bill include extension through 1993 of negotiating authority on tariffs and on nontariff trade barriers such as quotas, provision of a "war chest" to fight foreign subsidies, extension of protections for intellectual property rights, removal of ambiguities in the Foreign Corrupt Practices Act and relaxation of antitrust laws to permit mergers of companies threatened by import competition.

He said passage of product liability legislation, which would lower insurance costs of U.S. manufacturers, would be another boon to America's trade capability.

But he said the administration could not support provisions in the Senate bill that take away the President's flexibility in dealing with unfair practices, establish industrial policy mechanisms and set up statistical triggers for mandatory trade actions.

At hearings on the bill, John C. Danforth (R-Mo.), who heads the Senate Finance Committee's international trade subcommittee, challenged statements that the administration would not accept protectionist legislation.

"I think the administration tends to define anything that walks as protectionist," he said.

Sen. Lloyd Bentsen (D-Tex.) added that "it will be nearly impossible for Congress to design trade legislation, any trade legislation, that will be acceptable to this administration."

Nevertheless, in testifying before the full committee, U.S. Trade Representative Clayton Yeutter called many of the committee proposals "constructive," although others, he said, would entail "unworkable" government interference in businesses' decision making.

What needs to be done, President Reagan told a group of business people at the White House, is to "shift the political focus away from negative, protectionist legislation to positive pro-growth policies—policies like comprehensive tax reform and spending reductions."

He said that "the main question is not how to shelter the American economy, but how to bring it into still wider contact with the rest of the world; not how to protect it from competition, but how to release our boundless talent, creativity and know-how so that America comes out of the competition a winner." Reagan asked the group to "join us in urging the Congress to stop shirking and get back to its real work—not fostering economic timidity, but promoting economic incentives, innovation and growth." NB

"I understand you've been a long-time client, but I just don't think we can stretch another inch."

—*Some Banks.*

"We can put this together right away."

—*The Security Force in Pasadena.*

SECURITY PACIFIC BANK

MANAGING INTO THE 21ST CENTURY

The Security Force Security Pacific's business banking teams—they provide creative solutions with quick response. They have become the force in California's business community.

Forceful results Brooks Products, the largest U.S. manufacturer of precast concrete and plastics for the utility industry, is what Security Pacific Bank considers the ideal client. They have been a profitable business partner of ours for 28 years. So when they needed approximately 20 million dollars for a management buy-out, The Security Force found a unique solution. By participating with our affiliate, Security Pacific Business Credit Inc., who took half the loan, the deal was put together with very favorable terms. And we kept a valued client happy. Here are the team members who made it happen. Ron Bossi, Vice President & Manager of the Lake and Colorado Business Banking Center; Scott Monson, Regional Vice President; John Griffith, Senior Vice President and Division Administrator; and Rich Sutton, Vice President of Security Pacific Business Credit Inc.

Quality first Quality clients together with quality banking to create better business situations—that's the Security Force in action.

Our Business Banking Centers are located in: Anaheim, Bakersfield, Burbank, Chino, City of Commerce, City of Industry, Compton, El Segundo, Escondido, Fresno, Hanford, Imperial Valley, Irvine, Long Beach, Los Angeles, Modesto, Newport Beach, Oakland, Pasadena, Porterville, Riverside, Sacramento, Salinas, San Bernardino, San Diego, San Francisco, San Jose, San Mateo, Santa Ana, Santa Maria, Ventura, Visalia, Woodland Hills.

PERSONAL

It's Your Money

Buyers of new issues have made a bundle. What kinds of strings are there to such investments?

By Ray Brady

It is enough to make an investor's mouth water: Here is a company named Home Shopping Network, which enables people to do their shopping via the TV set. The company offers its shares to the public, for the first time, on May 13. Price: $18 a share.

Just six weeks later, Home Shopping Network is selling for $71 a share. Then it goes still higher, hitting $108, before settling back to the mid-70s range. What happened to this stock issue is one reason why Edward J. Mathias, who runs the New Horizons mutual fund, calls the new issues market "the hottest game in town."

The numbers bear him out. Wall Street professionals and run-of-the-mill investors alike are snapping up new issues this year at a record-breaking rate. The record was set in 1983, when $13 billion in new issues went to the market. In the first five months of this year, the figure was $6.6 billion.

Though few issues have taken off like Home Shopping Network, there have been some pretty good winners. A clothing company named Bernard Chaus leaped from 17 to 24¼—not bad at all. And the Morgan Stanley Group soared from 56½ to 71⅜ in three months. Harley-Davidson, the only surviving U.S. motorcycle manufacturer, joined the parade. Aided by a prospectus featuring photographs of two presumably happy Harley owners—home-run hitter Reggie Jackson and publisher Malcolm Forbes—the stock went from 11 to 13¾.

Is the boom in new issues good news or bad?

On the one hand, it must be admitted, the boom does make it possible for both fledgling companies and long-established ones (such as Harley-Davidson, which a group of executives bought from AMF, Inc., in 1981) to raise needed capital. For entrepreneurs, in short, the boom is a boon. And it has made a lot of money for investors who managed to get in at the right offering price. Wall Street professionals make it plain: If you have been in the new issues market over the last few months, you are likely to have made a pile.

Ray Brady is the business correspondent for CBS News.

Celebrity motorcycle riders like baseball star Reggie Jackson helped propel one new stock issue upward.

PHOTO: DAVID DEWHURST

Why should a curmudgeonly financial reporter be raising an eyebrow over all this? The answer lies in history. As one concerned money manager, who prefers anonymity, puts it: "Every bull market has ended up with the new issues market in a boom."

Among the market tops that were signaled by wild buying of new issues: the late 1960s—anybody remember the mad scramble to buy the stock of Weight Watchers?—and the 1983 market peak.

So extra caution may be called for now in handling investment portfolios. And what about adding newly issued stock to your portfolio?

Says our money manager: "The new issues that have been sold so far, by and large, are not junk. But some of the issues that are going to market in the next few months *are* junk."

The investor who is willing to read prospectuses carefully—a chore even some professionals don't attempt—may find bargains in the current crop of new issues. Many have caught investors' fancies, including insurance stocks (companies are rapidly making up for that long, painful rate war) and retailers, many of which will cash in due to lower tax rates.

One of the biggest groups going public may be represented by your neighborhood savings and loan.

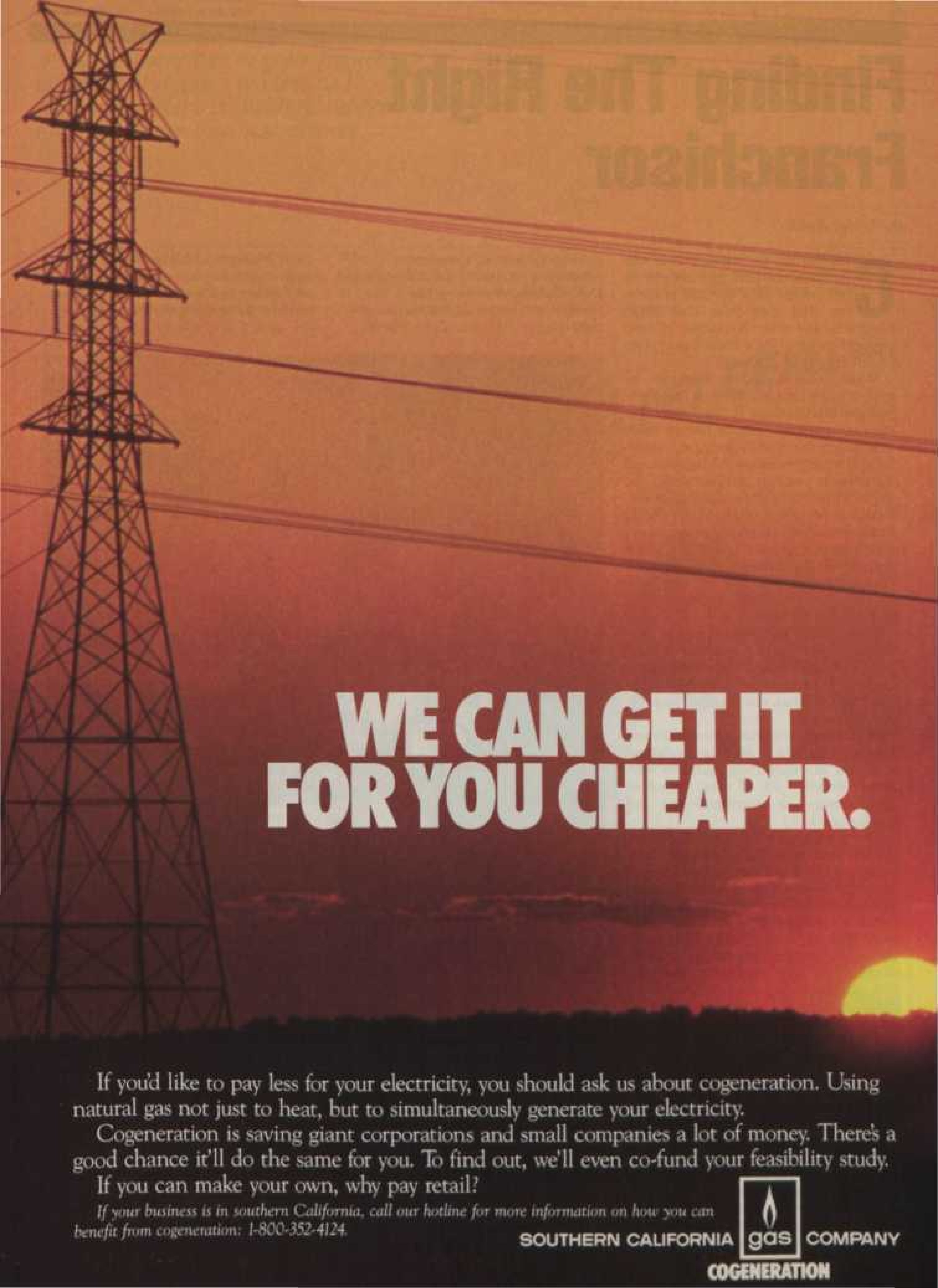
Many S&Ls have doubled in value. One reason is that the times have been with them. When interest rates fall, as they have been doing, S&Ls cut rates on some deposits faster than they cut their loan rates. The bottom line soars.

But even as you thumb through those new issue prospectuses, keep an eye out for Wall Street speculative fever, for investors who are paying hefty price-earnings ratios for new, untried issues. There is only a limited number of shares in any new issue, and scrambling after those shares can send prices up to unhealthy levels.

Also, keep an eye on the market as a whole for signs of a blow-off.

Our anonymous money manager remembers the late 1960s, when he was working in a small, Wall Street over-the-counter house. "We had indications from customers," says he, referring to advance orders, "for 200,000 shares of Weight Watchers. Just 200 shares were allotted to the whole house, and when the customers heard that, you would have thought World War III had followed."

It had no relationship to Weight Watchers itself, of course, but when that particular new issue boom had run its course, the whole stock market looked something like a World War III battlefield—a shambles. NB


WE CAN GET IT FOR YOU CHEAPER.
If you'd like to pay less for your electricity, you should ask us about cogeneration. Using natural gas not just to heat, but to simultaneously generate your electricity.
Cogeneration is saving giant corporations and small companies a lot of money. There's a good chance it'll do the same for you. To find out, we'll even co-fund your feasibility study.
If you can make your own, why pay retail?
If your business is in southern California, call our hotline for more information on how you can benefit from cogeneration: 1-800-352-4124.
SOUTHERN CALIFORNIA gas COMPANY
COGENERATION

MANAGING YOUR BUSINESS

Finding The Right Franchisor

By Ripley Hotch

Considering the strains that can fracture the best of business relationships, it is perhaps surprising that companies that blend hundreds, and even thousands, of independent owners into a franchise system do not fragment instantly.

What holds franchise systems together, says Harold Nedell, is "an even-handed relationship. If the franchisee does not perceive that he has an absolute need for the franchisor, something's wrong, because the tightest and best-drawn contract will not keep the unprofitable franchisee in business." Nedell is president of Houston's M&M Franchise Development Company, which invests in new franchises. As a founder of the Meineke Discount Mufflers franchise system, he turned a $2,500 investment into a company he sold for $10 million.

Franchising "is like a marriage," National Alliance of Franchisees Executive Director Bennie Thayer told an audience of prospective franchisees in Maryland. "What you want to know is the divorce rate."

Franchisors and franchisees alike use family metaphors to describe a relationship that can vary from warm to warlike. Without a lot of care, franchise agreements—like marriages—can end in divorce.

There was a well-publicized divorce threat recently at Oakland-based ComputerLand Corporation, whose franchisees threatened suit against founder and owner William Millard. They objected to royalty fees that they said were high at a time when they were struggling through the computer sales slump. They also objected to Millard's use of advertising fees to support a corporate campaign against world hunger rather than to get more business for franchisees.

Millard called in as president Edward E. Faber, who had helped found ComputerLand and had worked closely with franchisees. Faber reduced the fees, put franchisees on the corporation's board of directors and introduced a flexible, accessible management style.

Contrast events at ComputerLand in pre-Faber days to the way a franchisee of Century 21 International, the 6,500-member real estate franchise, turned to headquarters in a crisis. The franchisee was a Canadian whose wife had been taken ill in Mexico. She was flying into the Los Angeles airport and was to be transferred by ambulance from a Mexican airliner to another line that would take her to Canada. The franchisee was having difficulty in getting the transfer worked out. Desperately, he called Century 21, which is headquartered in Southern California. "He asked us to arrange the ambulance, and we did," says Richard Loughlin, Century 21's chief executive officer. "That tells you the relationship the franchisees feel they have with us."

John Alig (seated) was once a franchisee of American Advertising Distributors. Now he is the franchisor, and franchisees (from left) Ginger Harnois, John Burns, Fred Noday and Margo Friedman appreciate Alig's empathy. He understands their problems, they say, and works to solve them quickly.

PHOTO: T. MICHAEL KEZA

Franchisors with satisfied franchisees provide more than a business method, manuals, annual meetings, field representatives, updated products and accounting help. They also endow the franchisee with a sense of trust in the franchisor. They create the trust,

A happy marriage to your franchisor is essential to your success as a franchisee. Here is insiders' advice on how to avoid a business divorce.

according to both franchisors and franchisees, by tending to a number of intangibles that build a sense of family:

- Responsiveness. If the franchisee needs help, he or she will get it, and quickly.
- Empathy. The franchisor has been there and knows what the franchisee is going through.
- Communication. The franchisor really listens—and acts on what is heard.
- Dependability. When the franchisor makes a promise, it is kept.
- Accessibility. The top people in the franchise system can be reached by any franchisee.
- Give and take. If there is trouble in the relationship, it is straightened out in a hurry.
- Anticipation. The franchisor anticipates business problems and solutions and lets the franchisee know about them.
- Structure. The franchisor provides business discipline and requires the franchisee to stick to it.
- Open-mindedness. The franchisor encourages suggestions from a franchisee and passes on good ones to other franchisees.

In the past, franchising's image was sometimes tarnished when franchisors did not pay attention to franchisees, and franchisees' businesses suffered or even went under.

That has changed, says Irl Marshall, chairman of the International Franchise Association: "Franchising companies in general are doing a much better job today of working with their franchisees than they used to." Marshall says that franchisee relations is "the No. 1 topic" when franchisors gather, and they agree that "the goal of good relations is a must in any successful franchise system."

Franchisees and franchisors in smoothly operating relationships pepper their conversations about successful relationships with words like "trust," "concern," "caring."

At a regional meeting in Washington in July of franchisees of American Advertising Distributors, Inc., a Mesa, Ariz., direct mail company, *Nation's Business* gathered four franchise owners and Sales Vice President John Alig to talk about their relationship.

When franchisees Joe and Emily Olsian, of Middletown, N.Y., wanted to open a second Docktor Pet Centers store, they ran into problems with their loan. The franchisor stepped forward to guarantee a loan, saving the Olsians from a severe financial crunch.

AADI, founded in 1976, has been through two changes of ownership. Alig was one of the original franchisees and under the second owner was brought in as part of a professional management team. In 1984 Alig and two partners bought the firm.

The four franchisees in the conversation represented varying amounts of experience and came from markets of different sizes in different parts of the country. Alig and longtime franchisee Fred Noday, of Youngstown, Ohio, remembered the fits and starts of the early days, when the franchise system was growing fast.

"At that time, you called Mesa person-to-person collect," said Alig, "and the arrangement was, the person you wanted to talk to was 'never there.' The idea was that he would call you back station-to-station [saving long distance

charges]. But he would never call back!"

That sort of frustration drove Alig to "get on my white horse and go to Mesa" to become part of the management team, and the first thing he did was to establish a service department for franchisees.

Service to franchisees has been "the most important change" from the old days, said Noday. "Now we can call AADI, tell them a problem and get an answer—right away in many cases, or at least within a few hours."

Added Ginger Harnois, an experienced AADI franchisee from Columbus, Ga.: "They acknowledge a problem and get right to it."

The franchisees believe that Alig's experience as one of them leads to the kind of empathy for their problems that makes a franchise work. "It's important that John Alig used to be a franchisee and knows what it's like to be on the street," said Margo Friedman, of Alexandria, Va., a franchisee for about nine months. "This business is a lot of hard work, and if you haven't been out there, and you haven't tried, it's very hard to be empathetic."

Completing the picture is a discipline that "small business, overall, is lacking," said John Burns, of South Dade County, Fla., who owned a small advertising agency before he decided to buy an AADI franchise. He explained: "The printing deadlines are absolute; if you don't get your stuff in by deadline, your mailing date is moved. There's no fudging; do it. That's what a good business is about."

When problems arise in a franchisee-franchisor relationship, as they inevitably do, they are often about the discipline imposed by the franchisor. But that is also where the franchisor's empathy and responsiveness can make the biggest difference.

Century 21's Loughlin was a franchisee himself before he became CEO, and he makes it a practice to answer every phone call or letter from a franchisee. "It takes a lot of time," he says, "but it builds a feeling of togetherness and team effort. We don't hide from our franchisees."

And if personal attention is required, Loughlin says, he gives it.

"We have a franchisee who feels that another Century 21 office was moved too close to him," Loughlin says. "There is some misunderstanding. I am flying to Chicago personally to meet with the regional director and franchisee to resolve that problem."

Jim Bogan sits in the relaxation end of his Bozeman, Mont., Duds 'N Suds store. The franchise combines coin-operated laundry machines with amenities that make doing laundry less of a chore. Early communications problems with the franchisor have yielded to what Bogan calls "a good relationship."

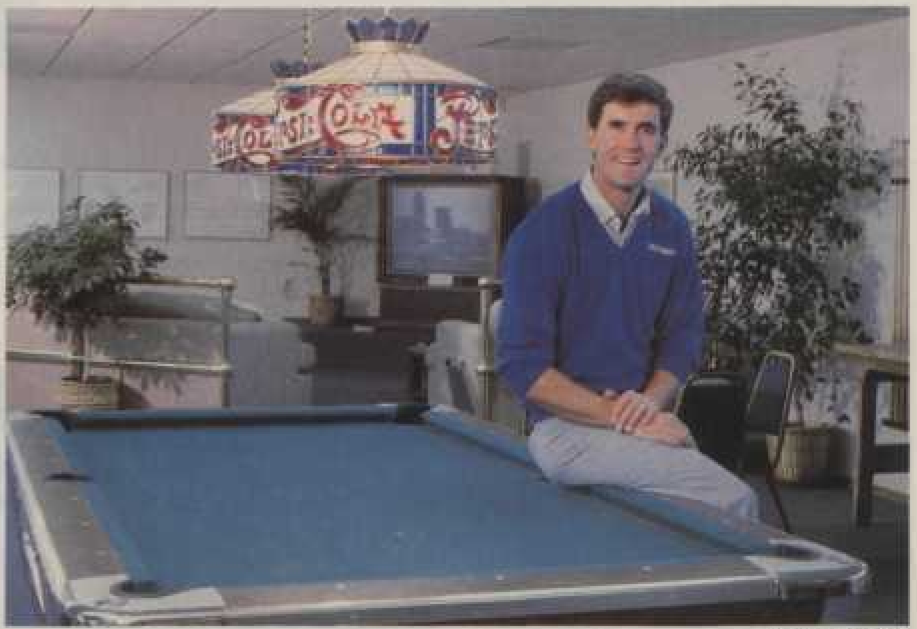


PHOTO: BRUCE PITCHER

Loughlin traveled 350,000 miles last year "to make sure the right hand knows what the left hand is doing," he says.

Docktor Pet Centers is a franchise system of pet department stores in regional shopping malls that grossed $100 million in retail sales last year. Les Charm, president of the Wilmington, Mass., franchisor, says that following the company's approach completely is vital for a franchisee who has just signed on.

"But after you get all through the initial stage and have experience, then you can do it our way 75 percent of the time," he says.

Docktor loosens the strings because, Charm says, "we really believe that a franchisee can bring a lot to the business. The critical thing in a successful company is respecting the franchisees and understanding that they really do know the business."

Docktor franchisees Joe and Emily Olsian agree. They opened their first store two years ago in Middletown, N.Y., and the first year was a struggle. One crisis came when they opened their second outlet, for which they were getting a loan guaranteed by the Small Business Administration. But at the last minute, the SBA backed out.

It was very nearly a disaster, says Joe, but then "the bank said it would be willing to commit if the franchisor would provide a guarantee of the loan. The franchisor did. If we hadn't had that kind of relationship, we would have been in a severe crunch."

Les Charm says the company handled the problem that way because its mission is to help the franchisee make money.

Strains inevitably tug at the fabric of the best relationships. Interstate Hotels Corporation, of Pittsburgh, is a longtime franchisee of the Marriott Corporation. Interstate operates 11 Marriott hotels, has 4,000 employees and expects revenues of $230 million in 1987. It is Marriott's largest franchisee. Many of the top executives came from Marriott, and Interstate says its hotels are operated at least as efficiently as Marriott's corporation-owned properties.

"There's no difference between their hotels and ours," says Interstate President Don Trice. "And, because we have a little lower operating costs, they can make more money if we operate the hotel."

Furthermore, Trice says, "We're very happy with Marriott as people as well as franchisors. We have a lot of regard for them."

But there are problems. Marriott's fees are the highest in the business. And it is finding itself in competition with franchisees who are interested in markets where it wants to run hotels itself. Interstate operates hotels in "secondary" markets such as Lowell, Mass., and Harrisburg, Pa., says Trice, and Marriott never expected to open hotels in such areas. Now, because the hotel industry is mature, all franchise companies are "butting heads" with

OUR TRACK RECORD IS IMPRESSIVE!

SUBWAY
Sandwiches & Salads

IN FAST-FOOD

A REASONABLE INVESTMENT FOR A RECOGNIZED WORLD LEADER

FOR COMPLETE INFORMATION CALL TOLL FREE 1-800-243-9741 OR WRITE 25 HIGH STREET, MILFORD, CT 06460-9986

MEMBER INTERNATIONAL FRANCHISE ASSOCIATION

Circle No. 95 on Reader Service Card.

OWN YOUR OWN REMODELING CENTER

"America's Fastest Growing Franchise Opportunity"
— Over 100 Franchises Started in 1985 —

QUALIFICATIONS NEEDED:

- $25,000 cash · Total investment $50,000 to $100,000
- Ability to price and sell remodeling work
- Enthusiasm and desire to own your own business
- Basic business sense

A GOLDEN OPPORTUNITY IN THE $60 + BILLION REMODELING INDUSTRY

- Exclusive, patented Four Seasons® Greenhouse room addition product line
- Your own "Design & Remodeling Center" showroom
- Many other "Name Brand" building products
- Exclusive protected territory
- Strong national and local advertising
- Financing for your customers
- Total training and start-up package

FOUR SEASONS® GREENHOUSES
Design & Remodeling Centers

CALL-1-800-521-0179
(IN N.Y.S. - 1-516-694-4400)
Four Seasons Marketing Corporation
425 Smith Street
Farmingdale
New York
11735

Circle No. 68 on Reader Service Card.

Money grows on trees.

On the cedar trees of Lindal Cedar Homes and Justus Log Homes. The world's most popular custom cedar homes. They're easy to sell because they're as practical as they are beautiful. With catalogs that are the biggest and best in the business. And right now we're looking for a good dealer in many areas.

If you like the idea of being independent and starting up with no franchise fee, call us toll free at 1-800-221-6063. Because money grows in cedar.

LINDAL CEDAR HOMES
P.O. Box 24426, Seattle, WA 98124

Circle No. 79 on Reader Service Card.

Log Home Franchises.

Enter the fastest growing housing market as a New England Log Homes, Inc. (NELHI) dealer. Full training, marketing support, sales leads, construction income potential, appreciation of your NELHI model log home investment, and more!

Call or write:

NEW ENGLAND LOG HOMES

Franchise Director
New England Log Homes, Inc.
2301 State Street
P.O. Box 5427MS
Hamden, CT 06518
203-562-9981

NELHI AUTHENTIC LOG HOMES

Outside Connecticut Toll Free 1-800-243-3551

Franchise opportunities are limited to residents of states which permit New England Log Homes Franchising Corp. to offer dealerships.

©1986 by NELHI

Circle No. 88 on Reader Service Card.

Own a business in the growth industry of the '80's... Direct Mail Advertising!

According to A.C. Nielsen Company, direct mail is the most powerful print medium today and is growing at the rate of 16 percent per year. TriMark, the second largest company of its kind in the country, has averaged a 30 percent growth rate over the last 10 years.

Here are some of the benefits you will enjoy as a TriMark franchisee:

- No ongoing royalty fees
- Protected, exclusive territory
- High, repeat sales
- Up-front cash business
- No inventory
- Established national accounts
- Continued home office support
- First mailing to 20,000 homes is FREE!

Total investment including professional training, materials and cash flow assistance as little as $24,900.

Invest your previous experience in sales, marketing or administration in a secure business of your own.

Ask for more information and names of 90 franchisees in 35 states. Ask the person who owns one.

trimark
Call 1-800-TRIMARK
Offering by prospectus only.
NO OBLIGATION

184 Quigley Blvd. P.O. Box 10530 Wilmington, DE 19850

Circle No. 73 on Reader Service Card.

OWN YOUR OWN COMPANY for $495!

Make 300% Profit Providing Students with TODAY'S MOST DESPERATELY NEEDED SERVICE!

Computerized Scholarship/Financial Aid Matching Service

The Problem:	The Solution:
$135 Million in College Financial Aid go unused every year. Students who really need funds sometimes never even know it!	A Computerized Matching Service which locates money for students. Our licensees do it for students across the country everyday!

BE YOUR OWN BOSS!

As an AGS Licensee, you own your own business, pick your own hours—even operate out of your own home! You create the name of your company, decide the price—everything! YOU'RE IN CHARGE!

You don't need your own computer because we do all the processing for you!

NO EXPERIENCE NECESSARY!

We show how to market your business. We provide you with the instructions and materials you need. The service can be conducted by direct mail—you can market it in ANY region of the country you desire. AND, NO DIRECT SELLING NECESSARY!

WE PRIVATE LABEL THE SERVICE UNDER YOUR NAME AND YOU CAN EARN OVER 300% PROFIT!

For Our FREE BROCHURE

Name
Address
City, State, Zip
Phone

Academic Guidance Services
230 Winding Way, 1st Floor
Marlton, NJ 08053
1-800-USA-1221

Circle No. 36 on Reader Service Card.

Finding The Right Franchisor

franchisees for those markets, he says.

Trice says that when both Interstate and Marriott want a territory, they negotiate, "strong-arming to see who gets it." Trice and his team can fall back on their proven track record to convince the franchisor to give the new location to the franchisee.

The final decision is the franchisor's, even if the franchisee is as large as Interstate is. "You don't have a lot of clout with the franchisor; it's how much the franchisor wants you," says Trice. But the mutual respect of franchisor and franchisee make the relationship work.

Young franchise companies are particularly subject to strains, as they stretch themselves to grow. Duds 'N Suds, a self-service laundry franchise with snack bars and entertainment areas, began franchising in 1983. It has grown quickly to 47 franchises. Jim Bogan, of Bozeman, Mont., was an early franchisee and, as a result, had many potential franchisees visiting his store.

Century 21 Chief Executive Officer Richard Loughlin traveled 350,000 miles last year to maintain contact with franchisees.

PHOTO: CENTURY 21

"I found myself acting as a sort of go-between," says Bogan. But he was out of his depth. He was being asked for help as others opened their stores, and he did not have current information from the home office.

Nine months after starting, Bogan is pleased with the contact he has with the home office, which is in Ames, Iowa. "I've had reps out here six or seven times. They reciprocate your enthusiasm and willingness to cooperate. We have a good relationship."

Phil Akin, Sr., father of company founder Phil Akin, Jr., is franchisee support vice president for Duds 'N Suds. The Akins typify the hands-on franchisor who empathizes with the franchisee. "Early on, we—me, my son, our wives—were constructing parts of the stores ourselves," says the senior Akin. "We can share that kind of experience with the franchisees."

Successful franchisors say the traditional family values of mutual help are, in the case of franchising, good business. Says Century 21's Loughlin: "If it's not good for the franchisee, it's not good for us, and if it's good for the franchisee, it's good for us. If we aren't going together, we aren't going." NB

To order reprints of this article, see page 65.

FRANCHISE GUIDE

Surplus Stock: Going, Gone!

Businesses large and small are increasingly turning to auctions as a way to convert unwanted assets into cash.

By Jack Wynn

Last fall, Larry Calloway figured he was sitting on about $1 million in surplus tractors, trucks, hydraulic excavators and other heavy construction equipment—deadweight on his books. After giving the problem a long, hard look, he decided to steer clear of conventional ways to sell the equipment. Within a couple of months, he turned it into cash. How? He auctioned it.

"If I'm faced with another equipment surplus like that, I'll liquidate through auction without a moment's hesitation," says the president of Calloway Construction Company, of Johnson City, Tenn.

In another part of the country—Waterloo, Iowa—the Rath meatpacking plant closed its doors in May, 1985. The owners found themselves with a fully equipped—and idle—plant.

After Rath filed Chapter XI bankruptcy proceedings, the entire plant was sold in a six-day whirlwind auction. More than 18,000 lots went to 1,000 buyers from every state, Canada and Japan. The auction ranked as the country's single largest volume auction ever, according to Stephen Martin, executive vice president of the Certified Auctioneers Institute in Bloomington, Ind. Proceeds totaled more than $4.5 million, much of them going to the city for back taxes.

Claude Hatchett, president of the Preston Carroll Construction Equipment Company, of Kennesaw, Ga., which is a highway and pipeline builder as well as a manufacturer of heavy equipment, has used auctions seven times over the last several years.

"Auctions are a great way to rid yourself of excess equipment and get your hands on ready cash needed for other purposes," he says.

"They help you dispose of equipment that might not be easy to sell. If you advertise, the big items go quickly. But what about that second line of equipment you need to get rid of? That's where auctions help me."

There is nothing new about the auction as a sales tool. Auctions frequently figure in bankruptcies—like Rath's. They also are used to get the best prices for art objects and to sell various types of property that must be disposed of so estate heirs can get their fair shares. Real and personal property seized by governments for tax nonpayment is auctioned. And auctioning is an integral part of the process of selling certain agricultural products—the chant of the tobacco auctioneer, for example, has been heard in the land for many a year.

What is new is the auction's gathering momentum among businesses—like Calloway's and Hatchett's—as a tool to turn property into cash in the short term. Such an asset management strategy can be used by companies of all sizes that are in cyclical businesses or that have widely dispersed projects they must work on one after another.

Companies are now using auctions to unload vehicles, business machinery

Jack Wynn is a free-lance financial writer based in Alexandria, Va.

Bid spotter Ed Lightsey calls a bid to the auctioneer at a recent sale of construction equipment.

PHOTO: CHARLES PLANT—FIRST TEAM

Surplus Stock: Going, Gone!

Much of the equipment of the Preston Carroll Construction Equipment Company, of Kennesaw, Ga., is liquidated during annual spring auctions.

PHOTO: CHARLES PLANT—FIRST TEAM

Carlus D. Gay, president and founder of First Team Auction Company in Americus, Ga., discovered the field is wide open for auction companies that help businesses sell assets.

PHOTO: T. MICHAEL KEZA

and—particularly—heavy equipment. With heavy equipment transportation costs running from $3 to $4 an hour per vehicle—not including maintenance and carrying charges—it may be to a contractor's advantage to auction the equipment locally. If similar work is going on in the area, the contractor may even sell at a profit.

"Auctioneering is really part of the financial services industry," says Stephen L. Eastham, president of the Washington-based New Venture Development Corporation, a financial and legal consulting firm that specializes in assisting auctioneering firms.

"The auction is just a vehicle for solid asset strategy. The auctioneers go in and consult with companies that want to redeploy assets—that is, realize cash for assets they might not be using for six months. Later, the same companies can go in and purchase assets of that type again, at auction."

Of an estimated $100 billion in U.S. auction sales last year—up from $50 billion in 1980—about 50 percent was in heavy equipment, experts say. As it always has been, real estate auctioning was big, too—an estimated 40 percent of the total. But James B. Brockett's use of the auction to sell real estate was—and is—unorthodox.

Brockett is president of the First Commercial Bank in Arlington, Va. In the past, he says, when the bank foreclosed on property whose owner was not keeping up with mortgage payments, the property invariably would be turned over to a real estate broker for sale. More recently, the bank has been using the auction process to handle disposal of condominium apartments and some other properties. The reason: speed of sale.

A well-structured auction can turn inactive assets into cash much more quickly than the more familiar commercial transactions such as selling through newspaper and trade journal advertisements. Though the advertisements can bring instantaneous sales on occasion, the sales typically take anywhere from six to 18 months, auctioneers say.

Brockett says that auctions are "a very effective way to sell real estate"—and that they do not have to be limited to cases of foreclosure or bankruptcy.

He points out that building firms of varying sizes are experimenting with auctions. One is Houston-based U.S. Home Corporation, the nation's largest homebuilder, which has auctioned condo apartments. A smaller builder, Dividend Company, of Santa Clara, Calif., is using auctions to sell detached homes. "Auctions have become an extra marketing tool, similar to a one-day sale," says Marketing Director Maria Hagan.

Auctioneers charge sellers commissions that range between 6½ and 8½ percent. The exact rate depends on the value of the property auctioned and whether the auctioneer is willing to guarantee an amount to the seller. Also included in the agreement is an extensive four- to six-week direct mail campaign, featuring a printed brochure. The goal is to provide as much detail as possible about the property on the auction block and thereby to draw a crowd of bidders who know exactly what they want and how much they are willing to pay, thus speeding up the sales process.

It generally takes about 60 days to put together an auction. This includes securing a location, checking for liens, reviewing property, preparing legal documents and arranging for any repairs. To reach a broad range of potential bidders, the auctioneer will advertise in local, regional and national newspapers.

Also, the auctioneer will prepare promotional fliers targeted to a preferred list of businesses among whom the property is likely to be in greatest demand, including brokerage firms that might want to try to resell it.

The auction industry does well during good times and even better during recessions. Recessions generally reduce

prices in the marketplace, and auctions, with their captive audiences and frenzied atmospheres, "create an urgency that brings the price of the asset up to the true market rate," says David Shaw, a partner at Eastham's New Venture Development.

Of roughly 25,000 practicing auctioneers nationwide, only 600 hold the professional designation CAI, given by the Certified Auctioneers Institute. Ten percent of the 600 are women.

An ability to talk loudly and rapidly is just one aspect of what it takes to be a professional auctioneer. A holder of the CAI designation—who must be a graduate of an intensive three months of courses given by the institute over a three-year period—must understand principles of accounting, advertising, appraising, financing, insurance and law that affect auctions.

"The good auctioneer has to be people-oriented, with strong promotional and business skills," says the institute's Martin. "He has to be able to get the contract to conduct the auction, organize it properly and promote it."

There are no giants in the auction industry, which is dominated by 400 small firms, most of them located in the sun belt. One of the nation's largest is the First Team Auction Company, of Americus, Ga.

First Team, which handled the Rath auction, has revolutionized the industry, converting a traditional craft into a high tech skill by computerizing. Names and addresses of all registered bidders are entered into a computer terminal at the auction site. When the successful bid is finally called, a First Team staff member uses the terminal to immediately record the amount of the sale and generate the invoice. Names of buyers are retained and transmitted to a massive First Team database for advertising future auctions of particular types of property and auctions in selected geographical areas.

"Another thing that sets us apart is the separate divisions we've established to specialize in the liquidation of different types of assets," says Carlus D. Gay, Jr., First Team's president and founder.

"We started out in 1975 focusing on equipment and, later, real estate auctions. Now we have three other divisions: farm machinery, livestock and industrial liquidations."

Gay auctioned his home in Americus for start-up capital, netting $5,000. In his first year, he sold $59,000 at auction for customers. By 1984 his firm's sales had soared to $60 million. By the end of that year—winding up its first business decade—it had conducted more than 400 auctions attended by a total of 60,000 people. Last year the firm sold $75 million in property.

The company manages about 10 auctions a month in every part of the country. Recently, staff auctioneers were hawking equipment and real estate in Washington State, Iowa, Ohio, South Carolina, Georgia, Alabama and Mississippi.

First Team has found opportunity in the depressed Oklahoma oil and gas market. Companies there, with petroleum prices down worldwide, are eager to unload oil-related equipment. However, there is obviously no demand in Oklahoma. First Team, says Gay, buys "the more generic type of equipment," like pipe and other material that can be used outside the oil industry.

The material is transported to other states, such as Tennessee. There, Gay says, First Team hopes to get a 10 percent premium over what auctioning would have brought in the oil belt.

The company is also looking seriously at the Canadian market. Last spring it completed a joint venture agreement with three business executives to operate an auction company in Edmonton, Alberta. At the venture's first Canadian auction, of heavy equipment, sales totaled $6 million.

"During the next 12 months, First Team will probably generate $75 million in auction sales in Canada," says Gay. "For U.S. auctioneers, Canada is a new frontier. Competition is scarce, and idle farm and construction equipment is plentiful. U.S. Commerce Department officials have told us that the auction market in Canada could soon rival that in the United States."

Though Canada's economy is much smaller than this country's, experts point out, it makes much use of heavy equipment to harvest natural resources—and such equipment is ripe for asset management by auction.

As for the United States, says consultant Eastham: "I believe the auction industry will flourish because of businesses' need for it in the years ahead. Everything from small computer firms to real estate brokers will be using the auction process, to the tune of $200 billion, a decade from now." NB

To order reprints of this article, see page 65.

Shopping For A Hawker

For businesses considering the auction route, First Team Auction Company President Carlus Gay offers these rules of thumb:

- Research carefully before selecting an auctioneering company. The Certified Auctioneers Institute will provide a list of all companies that are members of the National Auctioneers Association. Companies that have auctioneers who hold the institute's CAI degree are designated by an asterisk.

"You might want to look at companies that specialize in your type of property," says Gay. "An important aspect of getting a good sale is the auction company's broad base of contacts within the given industry, be it real estate, heavy equipment or livestock." Gay also recommends that you talk to others in your field who have used the auction process.

- Once you have made the selection, trust the professional auctioneer. If you have chosen well, the auctioneer will take over for you and manage all aspects of the sale.

The auctioneer generally takes responsibility for checking credit and collecting money from sales. Typically, buyers must present letters of credit from their banks to show that they have the wherewithal for payment.

A few auction firms may guarantee an amount to the sellers. The guarantee is based on the auctioneers' assessment of the value of what is being sold. If the property sells for more than the guaranteed amount, the excess proceeds are split between owner and auctioneer.

- Do not overlook any particular type of property to auction. Just because it has never been auctioned before does not mean it cannot be.

Getting Over Giving Ulcers

Some bosses unwittingly cause job-interfering stress in their employees. Here's how to recognize the syndrome and eliminate it.

By Sharon Nelton

Does the way you manage cause unnecessary stress for your employees? If so, health and stress experts warn, your management style could be interfering with your subordinates' ability to do their jobs.

"I don't *get* ulcers. I *give* them!" some bosses boast. Others may inadvertently be adding to their employees' stress.

Bosses who are "stress inducers" are inefficient at directing their employees' energies, according to F.J. McGuigan, director of the Institute for Stress Management at United States International University in San Diego. As a result, he says, the organization's productivity suffers along with that of the individual employees.

"Stress can impair employees' concentration and their judgment," says Nancy Burstein. "Sometimes it can increase the likelihood of accidents in the workplace." As president of Fitness Plus, Inc., a New York health and fitness consulting firm, Burstein has designed exercise and health programs for some of the nation's largest companies. When employees come to the exercise classes, she says, "the tension in their bodies is so apparent."

Common signs of stress among employees, says McGuigan, are groaning, continual complaining, frequent shifting of the eyes, a high-pitched voice, jumping with alarm at sudden noises and being highly emotional or anxious.

Other signals, according to Burstein, are clenched fists, a tight jaw and tension in the neck and the shoulder area. These may indicate that a person is trying to suppress an outburst.

McGuigan notes that excessive tension has been linked with high blood pressure, insomnia, gastrointestinal disorders including colitis and ulcers, gout, headaches and backaches, and asthma.

"When you're under stress, your immune system weakens," adds Burstein.

McGuigan and Burstein both say that individual employees will react differently to direction from a manager.

"A situation that touches off stress in one person may have no effect on another," says Burstein. She says a manager needs to be sensitive to the individual and when he sees a sign of stress, ask himself, "What am I doing

There are many reasons for employees to be under emotional strain that lowers their productivity. One reason could be you.

that causes this person stress? Do I have to approach this individual in another manner?"

McGuigan says managerial behaviors that induce stress include:

1. Piling excessive work on employees and giving them little direction as to priorities. "For example, a boss might give an employee a rush project and brush off protests with a comment like, 'Oh, I'm sure you can get it done somehow.' "

2. Calling frequent, lengthy meetings and then criticizing employees for not spending enough time at their desks getting work out.

3. Setting impossibly high goals in the mistaken belief that doing so will make employees try harder.

4. Putting employees on the spot, especially in front of others, rather than giving them time to research answers to your questions.

5. Repeatedly taking employees off one project to work on others, requiring them to juggle many projects.

Here are some ways, the experts say, that you can help your employees feel less stressed and more productive:

- Put yourself in your employees' shoes. Recognizing what causes you stress will help you see what causes your subordinates stress. Try to imagine what it would be like having yourself for a boss.
- Keep emergency projects to a minimum.
- Sharpen your communication skills so that employees really understand your directives. Ask them for feedback and listen to what they say.
- Be quick to praise and reinforce good work.
- If reprimands are necessary, give them in a calm manner rather than shouting at the employee. And do it in private.
- Allow room for interaction. If you present an assignment with an ultimatum like "I won't take any excuses; just do it," you are eliminating any dialogue. "It leaves an employee feeling somewhat powerless, and obviously it creates stress and can lower productivity," says Burstein.

Says McGuigan: "A calm, organized boss sets the best example for his or her employees." ■

Israel

PHOTO: KAY CHERNUSH

PHOTO: KAY CHERNUSH

Israel's Economic Performance

Israel's past economic achievements show that it is capable of fast growth. But every economy slows from time to time. Israel's was slowed deliberately in order to halt inflation, which is now down to manageable levels. Today, Israel is ready for renewed growth.

One year has passed since the government introduced its economic stabilization policy. It can be considered a year of success for stabilizing prices and wages, avoiding devaluation of the shekel against the dollar and increasing foreign policy reserves.

The U.S. dollar today buys 1.5 new Israel shekels, which is the same rate of exchange that existed a year ago. The new shekel is called "new" because three zeros were lopped off the nominal currency numbers on January 1. It is also new because it now represents a stable currency that can be used to measure changing levels of economic activity.

Israel has an industrial economy, and its economic structure follows the patterns of Western industrialized economies. Manufacturing contributes over 20 percent of the net domestic product and agriculture less than 5 percent. Ministry of Industry and Trade research shows that 22.3 percent of Israel's economic activity is industrial compared with 21.6 percent in the United States, 24.1 percent in Japan, 33.3 percent in West Germany, 22.9 percent in Italy, 27.6 percent in the United Kingdom and 21.7 percent in Denmark.

The Israeli economy differs from other Western economies in that the ownership of industrial production resources is shared between the private sector, which

PHOTO: SCITEX

contributes 50 percent of annual industrial production, the Hedrat HaOvdim sector, with 30 percent annual industrial production, and government-owned corporations that contribute the balance of 20 percent.

The private sector in Israel includes both private companies and companies that are listed on the Tel Aviv Stock Exchange. The public sector relates to the government-owned corporations, some of which are also listed on the stock exchange. The Hedrat HaOvdim, which is the umbrella organization of the Israeli Federation of Labor (the Histradut), encompasses the Kibbutz Industries, and some of its companies are also traded on the stock exchange. It is not unusual for corporations to have shareholders originating from more than one of the sectors or for them to have foreign investor participation.

Industrial growth has been maintained over the last three years at an average annual rate of 5 percent in real terms. An economic review by Bank Leumi recognizes that there has been a shift toward industrial production for export within the framework of a recent fallback in overall production and states: "This is a necessary process preparing for renewal of economic growth."

In the first half of 1986 industrial investment is in line with previous years, although requests for investment finance have declined. It is not generally known that Israel invests heavily in industry every year. Figures monitored by the Ministry of Industry and Trade show that about $1.2 billion has been invested in each of the years 1983, 1984 and 1985. This year's decline in requests for investment finance may be directly related to the past period of galloping inflation. Increased levels of investment ought to follow a period of economic stabilization.

Private and government consumption have fallen while exports have increased. Total exports have grown 2 percent in 1983, 14 percent in 1984 and a further 7 percent in 1985.

A reduction in domestic demand was reflected in lower civilian imports and a reduced annual balance of payments deficit (from $5.2 billion in 1983 to $4.3 billion in 1985). Civilian imports have started to increase. Pessimists say that this will mean renewed inflation, but it could equally well mean renewed confidence in the future.

The Electronics Industry

Israel's industry is now mature, having passed through various stages of growth during the past 20 years, and having had

Israel has been described as an enormous think tank, symbolized by the Weizmann Institute's research in biotechnology, chemistry and other fields.

PHOTO: ZIMET ADVERTISING & PUBLISHING

many successes and some disappointments.

Zalman Shalev, chairman of the electronics division of the Manufacturers Association and president of Elisra Electronic Systems Ltd., maintains that Israel's capability and vitality stem from three basic factors: 1) the excellent engineering and technical schools at all levels in Israel supported by the cross-fertilization between industry and institutions of higher learning; 2) the pragmatic approach of the defense forces and the demanding military standards that are derived from practical experience and the very strong motivation to achieve technical excellence; 3) the earlier needs of national survival followed by the need for economic survival that has necessitated the drive for export development.

He explains that any past lack of marketing expertise was replaced (in the defense field) by Israel's military successes. Marketing is more important now, but Israeli manufacturers know that excellent product engineering is essential for good market development.

Renewed growth is dependent on the government's ability to create the correct environment, and more sources of capital finance at reasonable interest rates have to be made available. The economic stability program has so far succeeded in controlling inflation and the U.S. dollar exchange rates, with only a relatively small increase in unemployment.

Israel's electronics is a $2 billion industry, containing internationally known names such as Tadiran, Koor, Elscint, Elbit, Scitex and Elsira. New products are being introduced continuously, and existing products are being improved and updated with the latest technological developments. Cooperation with foreign companies is commonplace, and the U.S. connection is by far the strongest.

An example of the high level of technological capability in Israel is the Lavi aircraft. This type of project requires a level of technological expertise that can only be undertaken by countries that have suitable human resources.

The United States is a participant in this project, and while in recent months some differences of opinion have arisen between the two nations on the question of costs, there is no question about the advanced levels of technological achievement that are encompassed in this aircraft of the '90s. The prototype aircraft is due to fly in the fall of 1986. Israel has yet to reap the spinoff benefits that are likely to develop as the project leaves its prototype stage and enters production.

One of many interesting innovators in the field of electronics is a company called RADA, which has developed and is marketing on-flight-line testing equipment. Why take an airplane apart and reassemble it when the vital systems can be tested by relatively small mobile computerized testers that will locate faults (if any) on the spot?

RADA is a good example of an Israel-United States joint venture. The company went public in March, 1985. Its shares, which are traded over the counter in the United States, are owned 33 percent by the U.S. public, 17 percent by private Israeli interests, 24.5 percent by other foreign investors and 25.5 percent by employees. The Grumman Corporation has chosen this Israeli company to be its partner for the Lavi project. Hughes Helicopters, Inc., has appointed the company to be its adviser and equipment supplier for the "Apache" attack helicopter, and McDonnell Douglas Aircraft Company is at present evaluating the on-flight-line testers for possible use on their F-18 aircraft.

This type of cooperation is possible because U.S. and Israeli technical language and standards are similar, and U.S. and Israeli defense requirements are at an

equally high level. In addition, Israel can produce high technology products more cheaply. RADA's management and staff, in common with many Israeli companies, have both international and homegrown experience. The company's corporate citizenship is both commercial and community-oriented. Its engineers are loaned to technical schools, and it provides scholarships to the Technion in Haifa.

Biotechnology

Ehud Geller is one of the new wave of Israeli high technology industrial managers. At 40, he has become president and chief executive officer of Interpharm Laboratories Ltd., which is traded over the counter in the United States. The company's scientists have developed a totally automated system which enables them to treat large amounts of cells in many vessels (known as spinners), obviating the need for manual handling and allowing highly purified interferon to be produced on an industrial scale.

Interpharm and its subsidiary, Inter-Yeda, Ltd., are part of the Ares Serono

Group of companies, which develop and market diagnostic and pharmaceutical products, primarily in the fields of human fertility, human growth, immunology and virology.

Dr. Geller's approach to high technology and business is clearly influenced by his basic Israeli education and the experience he has gained in the United States, where he started his pharmaceutical career and obtained his degrees in chemical and pharmaceutical engineering.

He is convinced that Israel's economic future lies in the science-based industries where Israel's expertise can be applied and added value is high. These industries have the support of a good scientific infrastructure that is coordinated with the institutes of higher learning. Thus, the corporate headquarters of Interpharm are situated in the town of Rehovot, close to the Weizmann Institute, which is renowned for its innovative scientific research programs.

Biotechnology, in its present phase, is a very new industry. However, Dr. Geller points out with obvious pride that Israel has a long experience in this field and that, indeed, the first President of Israel, Dr. Chaim Weizmann (after whom the Institute was named), was a leading biochemist who developed the bacteriological process for the production of acetone many years ago.

Dr. Geller maintains that biotechnology provides a more effective and cost-efficient way of producing important chemical and biological products than the more conventional industrial synthesizing systems. When asked to give examples, he points to insulin, which can be reliably produced by genetic engineering on a better commercial basis than the cumbersome plant required for extracting the substance from animal parts and then synthesizing complex molecules. Interferons, too, can be produced more economically by biotechnology and genetic engineering than by other methods.

The ability to produce by biotechnological means is very much dependent upon know-how and investment in brainpower. Israel is particularly suited for this type of operation; it has a well based scientific infrastructure and R&D is generally cheaper in Israel than in other countries that have the capability of advanced research.

Main markets for Israeli biotechnology are overseas, and therefore the industry has to be export oriented. While Israel can provide high quality products, it has to obtain its marketing expertise by cooperating with foreign partners who have the marketing know-how for penetrating their own markets. NB

MANAGING YOUR BUSINESS

Direct Line

Information on business advertising, connections in India, 900 numbers, cable shopping and sweepstakes.

On-Target Advertising

I've started a home inspection business, primarily serving the home buyer. Real estate agents refer my services to customers very reluctantly, because they are afraid they might lose a sale. How should I advertise? How do I get to the home buyer?
B.G., Poquoson, Va.

As a home inspector, you have an unusual relationship with real estate agents: You are neither competitor nor business ally. Since your final judgment could mean a lost sale for the agent, it is not surprising that some agents may not wholeheartedly recommend a good inspector's services.

A key to your success is remembering that your customers are the same as the agents'—home buyers. So borrow advertising ideas from the real estate agents. For instance, place display ads in your local newspaper's lifestyle and real estate sections. Also consider trying to contribute an article, even a series of columns, on what to look for when buying a house, how to spot structural defects and how to locate an excellent home inspector. Do not forget to advertise in the Yellow Pages.

Indian Connections

I would like to start a business as broker to facilitate joint venture agreements between businesses in the United States and India. How do I get started?
I.N.B., Kettering, Ohio

Nripendra Misra, minister of economics at the Indian Embassy, says that you have a viable business idea and that several companies on the East Coast do bring together business partners from India and the United States. He also says that, while your idea is certainly not unique, the market has not yet become saturated. For more information, write to him at the Indian Embassy, 2107 Massachusetts Avenue, N.W., Washington D.C. 20008.

Telephone Messages

I often see advertisements for numbers beginning with 900, for which the caller pays 50 cents. With the breakup of the phone company, how does an organization get such a number? Are 900 numbers available to nonprofit organizations as well as businesses? Is a charge assessed for such a number? Is a portion of the 50-cent charge given to the people who record the message?
T.S.B., Brookfield, Wis.

ILLUSTRATION: WILLIAM COULTER

The Dial-It 900 service, available through AT&T to businesses and nonprofit organizations, provides a way for thousands of callers to simultaneously receive recorded or live messages and take part in surveys. The caller is charged 50 cents for the first minute and 35 cents for each additional minute. The business client, or sponsor, is also charged for the service and must generate a minimum number of calls or make up the difference in revenue AT&T would have received. For information, call the AT&T business sales and support center toll-free at 1-800-222-0400.

Media Marketplace

Cable television has special programs that sell products on the air. I would like to market my product through these shows. Whom should I contact?
A.S., Kingsport, Tenn.

Cable shopping programs may give you an excellent outlet for your merchandise. However, Stanley Burke, vice president and general manager of Shoppers Club of Virginia, warns that the cable shopping's success depends on bargain prices—30 percent to 60 percent less than what the viewer would pay at a store. You must be able to offer your merchandise so cheaply that the cable program can make money as well. Your own profit margin, therefore, is very narrow.

Jewelry moves well on these types of programs, but Burke says that any kind of merchandise can sell. Call your local cable service to find the home shoppers program in your area.

Contest Rules

I would like to find information on the rules regarding merchandise-promoting sweepstakes contests in the United States and Canada. Which states and provinces allow sweepstakes?
J.L., Attleboro, Mass.

Such sweepstakes are allowed in every state and province, provided that they meet the criteria of the local jurisdiction. These contests are, however, subject to national laws in both countries. For information about federal requirements, contact the Office of Public Affairs, Federal Trade Commisssion, Sixth Street and Pennsylvania Avenue, N.W., Washington D.C. 20580; or call (202) 523-5830. For information about Canadian requirements, write the Marketing Practices Branch, Department of Consumer and Corporate Affairs, Ottawa, Ontario K1A 0C9; or call (819) 997-4282.

Franchise Shows

I am interested in attending a trade show on franchising.
P.T., Tulsa

Franchise shows are sponsored by the International Franchise Association. The schedule for the rest of 1986 is: September 12-15, Chicago; November 7-10, Atlanta. For further information write: International Franchise Association, 1350 New York Avenue, Suite 900, Washington, D.C. 20005.

How To Ask

Have a business-related question?

Write to: Direct Line, NATION'S BUSINESS, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space. All replies must be given in this column.

Savoir Faire Over There

One thing American business people should leave at home when they go international is the latest management fad.

By Lennie Copeland

The company that has carved out a niche in the United States faces a choice when it wants to grow. It can take on the giants at home, or it can expand abroad.

But doing business in foreign countries is no cinch. It requires considerable commitment, investment of time, money and energy, appreciation for diversity and calm in the face of ambiguity. Setting up shop outside the United States demands a sensitivity to cultural subtleties.

All the popular gimmicks of American marketing and management will not help abroad. Theories X, Y or Z, management by objectives, intrapreneuring, wellness: Those concepts may do well here, if only because they are refreshing. Americans like change. Here, new is good. "New" is one of the most frequently used words in advertising. But almost everywhere outside the United States, tradition is valued more.

Business travelers carrying their *One Minute Manager*, by Kenneth Blanchard and Spencer Johnson, get a cold splash of a different reality when they plunge into business in Abu Dhabi or Bombay. Attempts to rush business will only alienate business contacts. A one-minute praising could even bring work to a stop in Japan, where singling out an individual causes humiliation, and the authors' recommended pat on the arm will only compound the error. Never touch in Japan. The general rule of thumb anywhere in the world is slow down and work on social relationships.

Some of the concepts in the best-selling *In Search of Excellence*, by Tom Peters and Robert Waterman, travel well; others need to be discarded in the international situation. MBWA (management by walking around), for example, can permanently tarnish a boss' image in France, where proper decorum is a mark of authority and important for maintaining respect. Participative management is viewed as incompetence in Latin America and the Arab world, where bosses make decisions and good subordinates follow orders.

Lennie Copeland is a management consultant and co-author of Going International: How to Make Friends and Deal Effectively in the Global Marketplace.

ILLUSTRATION: WILLIAM COULTER

This is not to say American methods cannot work abroad. I saw *In Search of Excellence* in all the bookstores in Tokyo. Assertiveness training is popular in Hong Kong. But sure-fire American techniques in salesmanship, negotiations or people management generally should be left at home.

If you are negotiating, you must know how local people bargain; otherwise you may make needless concessions. If you are marketing a product, you must know what is important to people, or you will be unable to sell them; you cannot assume they will be impressed by sales pitches that appeal to Americans.

In trying to stimulate your distributors, you must know how to motivate them; American incentive systems may leave foreigners cold. A cash reward or paid vacation for the top salesman would not do well in Japan, for instance. Offer incentives that support the whole team.

The small company is particularly vulnerable abroad, because a little cultural mistake can ruin a deal. Failure in communication is a common culprit. One American negotiating in the People's Republic of China asked, "Do you have access to a computer?" The Chinese said they did, but in fact the nearest computer to which they had "access" was 50 miles away. The Americans should have said instead, "May we see what computer you have in this facility?" In the end, they had to provide $30,000 worth of computer equipment and software.

Successful business dealings abroad require an understanding of other cultures. Certainly, courtesy is important, and foreign executives will turn down good business deals if they do not like the principals involved. But mastery of protocol is only the beginning.

For a film on adapting to American business culture, I struggled to get a Japanese employee to speak to his U.S. boss the self-confident American way. Eye contact and posture were the essential ingredients, but the man simply could not do it. Three hours of rehearsals were insufficient to eradicate his 30 years of learning not to stare at a superior. Many Americans have an equally difficult time talking to the floor in Japan. When we establish eye contact, others perceive us to be hostile or rude.

The secrets to success in international business are not new gimmicks but tried and true common sense. In negotiations, know your adversary; in marketing, know your customer. And in international marketing, knowing your customer means knowing your customer's culture. NB

Innovators

Failure teaches one manager how to succeed; business leaders advise young achievers; fuzzy yes men talk back to the boss.

By Sharon Nelton

Playing To Your Team's Strengths

ILLUSTRATION: BOB DORSEY

Danny Cox learned one of the biggest problems in managing a business the hard way.

"I tried to turn everybody into a carbon copy of me," says Cox. The result was an early failure in his career.

For nearly 10 years, Cox has had his own business, Danny Cox, Inc., in Tustin, Calif. As a speaker and seminar leader for such clients as North American Rockwell, Pacific Bell and Beckman Instruments, Cox brought in "almost a third of a million dollars" last year.

He is also an investor in such ventures as hotels and weighted jumping ropes with Los Angeles Lakers star Kareem Abdul Jabbar and a number of other basketball players. Since Cox is just over 5 feet 4 inches, he says, "I bring the average height of the investment group down to about 6 feet 8 inches."

Cox first entered the business world after 10 years as a hotshot Air Force fighter pilot. He did well in real estate sales his first year, so his employer, Coldwell Banker, promoted him to management of its top office, located in Woodland Hills, Calif.

"I took it from No. 1 to No. 36 in three months," Cox says ruefully. He was warned that his replacement was being sought.

He took a few days off and went to the beach to do some soul-searching. He had 16 people in his charge, and he realized he had been trying to get them to do the job just as he had done it.

Now he had to develop some strategies to win them over and to manage them effectively.

Cox made a list of his employees' weaknesses. More important, in a second column, he made a list of their strengths.

Then he decided a key strategy would be to communicate with them not on the basis of their weaknesses, as he had done before, but on the basis of their strengths.

He stopped saying, "If I were you, I [would do this]." What such phrasing does, he says, is tell that employee, "If you had my strengths instead of that pathetic pile of weaknesses of yours, this is how you would do things."

Instead, he began saying, "With your strengths, I feel the best way to handle that situation would be ...." Now he had a chance to show his employees how their own strengths could be used to get the job done. And they listened, he says, because they felt he had taken the time to understand their strengths and the situation they were in, and because he had good ideas on how they could solve problems with their own—not Cox's—abilities.

Within 120 days, Cox's office was No. 1 again.

Of course, now Cox and his staff had a new problem: how to be even better than they were before.

But they found they could do that, too.

They did not let themselves shut down when they got to the top again. They learned they could use the momentum of becoming No. 1 again to move beyond what they had achieved before, breaking through what Cox calls "a collective self-imposed barrier."

Based on his own experience, as well as on his observations of other managers, Cox now says: "Employees get better right after the manager does."

Talking To The Brightest

What would you say if you had eight or so minutes in which to offer inspiration and advice to some of America's brightest teenagers?

More than 40 adult achievers had that opportunity recently when a Malibu, Calif., nonprofit organization, the American Academy of Achievement, brought 390 top high school students to Washington. The youngsters spent a four-day weekend with distinguished leaders in fields including business, science, medicine, politics, sports and the arts.

One afternoon panel consisted of five Nobel Prize physicists—which seemed to intimidate the students not at all.

since they asked questions as naturally as if the famous scientists were kids from around the corner.

The adults were charged with talking to the students—who were sponsored by a variety of businesses and other organizations—about success, leadership and life.

Here is what a few of the business achievers told the leaders of tomorrow:

Ruben F. Mettler, chairman of TRW, Inc., Cleveland, recommended a "thought experiment" that he first learned at TRW 35 years ago: "Imagine that you are the just-released manager of a division or subsidiary that wasn't doing very well, and your successor comes in, and you have the opportunity by magic to observe what he does. You know his thoughts; you hear his conversations, and you see him act.

"He seems to be succeeding brilliantly. He questions some of the old assumptions. And you say, 'I could have done that. Why didn't I think of it?' He defines the goals and tasks in a different way. And you say, 'I could have done that.' He walks through the shop every morning and talks to all the employees. And you say, 'That would have worked for me, too.' He disagrees with his boss, but he's got good arguments, and the boss agrees. You say, 'I thought of that, but I didn't dare to bring it up.'

"If you're a manager, it's useful to say, 'What will my successor do that I could do right now?' "

J. W. Marriott, Jr., chairman of the Marriott Corporation, Washington: "Work hard. Find out what you like to do. If you like what you do, work becomes fun. You can become enthusiastic about what you do. But the glue is hard work, and there is no substitute for that."

William F. Farley, founder and chairman of Farley Industries, Chicago: "There is not enough talent in business. Jobs are what make for a great life for you and your families. I want to see more great people going into business." Farley, who has legal training, said he chose to become an entrepreneur instead of a lawyer because he discovered that the business world was where the "romance" was for him. "Find the romance," he urged.

William G. McGowan, chairman of MCI Communications Corporation in Washington, and Ernest Hahn, chairman of San Diego's Ernest W. Hahn, Inc., a large shopping center development company, co-hosted the weekend. McGowan, who personally sponsored six of the student participants, estimates that he spent "a couple hundred hours" on the event.

What advice does McGowan give to young people when he has the chance to talk with them about their futures?

"I tell them they have to finish their education, but they also have to get a variety of experience," McGowan says. They will need judgment in business, he says, and they must get it "through knowledge and experience."

The audience laughed uproariously when a student asked artist-fashion designer-author-entrepreneur Gloria Vanderbilt if money had been an influence in her career. She took the question seriously.

"It certainly has," she answered. "It has to do with self-esteem. If we work, it is the measure of things that we get paid for what we do, and, therefore, it's very important, I think, to get paid for the work that you do."

Another achiever, humorist Erma Bombeck, told the students exactly what she thought of them: "I don't think there's any doubt in my mind that all of you, by the age of about 25, are going to own your own utility company, and probably when Lee Iacocca calls, you're going to put him on hold."

Christmas Gifts For The Insecure

ILLUSTRATION: VICKI WEHRMAN

It's not too soon to be thinking about a Christmas present for that executive on your list. If he—or she—is fed up with subordinates who have minds of their own and don't bow and scrape and agree with everything the boss says, Mars Toys International, a Los Angeles importer, thinks it has just the thing: high tech, plush animal toys that tell you exactly what you want to hear.

Embedded in the tummies of Mars' teddy bears, bunnies and fuzzy hippos are microchip devices that automatically record their master's voice for four seconds and then play it back. Thus, say the toys' promoters, they are only telling you what you are happy to hear.

Mars is billing the toys as " 'the ultimate yes men' for lonely, anxious or insecure executives."

Members of this obsequious menagerie are priced at about $45 each and are available at toy and department stores nationally.

In the absence of the old-fashioned junior executive, "Pete, RePeat & Friends," as the toys are called, can be counted on to "keep the old ego bolstered just a bit longer," according to Mars.

If complete agreement doesn't shore up your executive, the animals double as stress management tools. Just give them a hug.

PERSONAL

For Your Tax File

When not to own a life insurance policy; a refund for shareholders in the old AT&T.

By Gerald W. Padwe, C.P.A.

When Your Life Insurance Policy Is Not Your Policy

If you want to be well thought of after you're gone, you should exercise some care in setting up company life insurance policies on yourself. Otherwise, the proceeds from a policy may be included in your estate, reducing the inheritance tax exemption and, perhaps, penalizing your heirs.

The Internal Revenue Service Code requires that life insurance proceeds be included in an estate if the decedent had "incidents of ownership" in the policy. Treasury regulations define that as including the power to change the beneficiary, to surrender or cancel the policy, to assign it or revoke an assignment, to pledge the policy for a loan or to obtain from the insurer a loan against the policy's surrender value.

A recent U.S. Tax Court decision held that insurance proceeds paid to heirs were includable in a man's estate even though a corporation in which he was a 50 percent stockholder had bought the policy for him and paid the premiums.

Under the policy terms, the corporation and not the decedent held all incidents of ownership. But the corporation and the decedent had entered into an agreement giving him the right to designate the policy beneficiaries, to veto a change of beneficiaries, to veto an assignment of the policy, and to cancel and then repurchase the insurance policy at its cash value. The Tax Court held that the agreement caused the man to own enough incidents of ownership in the policy to justify inclusion of the proceeds in his gross estate.

The IRS often concludes that the policy terms do not always determine the status of ownership, although that does not always work in the agency's favor. In a recent request for a ruling presented to the agency, a company we shall call P Corporation agreed to invest in M Corporation, if M Corporation bought

ILLUSTRATION: CAMERON GERLACH

key-man life insurance on M's chief executive—call him George—naming M as the beneficiary. The purpose was to ensure M Corporation's stability in the event of George's death. The minutes of M's board of directors meeting confirmed the agreement.

M Corporation was listed as the policy's beneficiary, but—unwisely—George was listed as the owner. Even though M Corporation paid all the premiums and carried the policy as an asset on its books, the policy terms could have forced George's estate to include the proceeds for tax purposes.

But the situation was salvaged because George treated the policy as an M Corporation asset. He did not change the beneficiary and exercised no conversion rights or any other incidents of ownership. The IRS concluded that M owned the policy and George had no right, title or privilege in it.

The case falls under the exception to the general rule that the policy terms take precedence over the intent of the parties. Therefore, the policy proceeds were not includable in George's estate for federal estate tax purposes.

Gerald W. Padwe is national director-tax practice for Touche Ross & Co. For Your Tax File *is an information service for readers. See tax and legal advisers on specific cases.*

Reach Out And Get Your Refund

When American Telephone & Telegraph shareholders received shares of the seven regional Bell operating companies as part of the 1984 AT&T divestiture, the IRS insisted that a percentage of the stock of one—Pacific Telesis—be treated as a dividend.

The IRS contended that a transaction involving the old AT&T and Pacific Telephone & Telegraph—Pacific Telesis' predecessor company—made a small part of the Pacific Telesis distribution taxable, even though more than 90 percent of the distribution was taxfree.

The agency sent individualized computer letters to that effect to every shareholder of the old AT&T, and most affected taxpayers complied. One—the Edna Louise Dunn Trust—decided to make an issue of the IRS contention and took the agency to court. The trust won, and the IRS now has several million scrambled eggs to put back into their shells.

It was the first use of a new litigating shortcut that we may expect to see used on occasion in the future.

The approach will generally apply where large numbers of taxpayers are affected by the results of one case, or time is of the essence in reaching a decision. It allows government and taxpayer (with court approval) to agree on expedited processing of administrative appeals before proceeding to court, and for expedited hearing of the case by the U.S. Tax Court. Ordinarily, an appeal is allowed from Tax Court judgments, but not under the shortcut, so the *Dunn Trust* decision is final.

The IRS has now issued notices to all affected taxpayers, inviting them to file a claim for refund. A special refund form (1040X) has been designed specifically for AT&T claims. You can get one at your local IRS office.

When you file the 1040X with Uncle Sam, don't forget that you may well have a state refund coming, too. Your state is hardly likely to send you a reminder notice, but we are happy to have done so.

PEOPLE

Making It

Plastic trackers; a Silicon Valley firm in the chips; riches from ruffles; Rx for frequent prescriptions.

Tracking America's Plastic Money

Steven Halmos (left) and his brother, Peter, see a future for their Fort Lauderdale, Fla., company, SafeCard, as boundless as Americans' appetite for credit cards. About 10 million people have registered their cards with SafeCard as protection in case the cards are lost.

PHOTO: DAVID WOODDELL

Americans' enormous appetite for plastic has made Peter and Steven Halmos millionaires. Brothers who founded SafeCard Services, Inc., in Fort Lauderdale, Fla., they took an "idea whose time had come," says Steven, 38, the company president, and built it into a business with annual sales last year of $64 million.

"We're the country's largest credit card registration and loss notification service," says Peter, 42, the chairman.

In fact, SafeCard Services, Inc., handles 75 percent of U.S. card holders who register their cards against loss. That comes to about 10 million people. And the company is adding customers at the rate of 2 million a year.

It may never run out of potential customers. As Steven points out, more than 100 million Americans carry an average of 8½ credit cards each. And an estimated 75 million cards are lost or stolen each year.

To reach the 90 million other adult Americans, SafeCard's 400 employees last year mailed out 150 million advertising pieces and made 1.5 million phone calls.

To Peter, "the future looks great. Credit cards of all kinds will continue to proliferate, particularly what are called prestige cards. They offer more exotic benefits such as foreign trips, even free haircuts, and more services such as toll-free secretarial help for travelers." He expects more people also will use bank-issued debit cards to buy groceries, the bill to be deducted from a person's checking account.

The Halmos brothers expect to expand SafeCard Services well beyond the company's present annual net income of $20 million. To handle the flow of business, the company moved last July into its own newly constructed three-story, 72,000-square-foot glass office building adjacent to I-95 in Fort Lauderdale.

"But we had our lean years," says Steven. "We didn't make any money to speak of the first six years, from 1969 to 1975."

In 1969, Peter had just graduated from the University of Florida and Steven was a student at Georgia Tech. Explains Steven: "Peter had heard somewhere of a business that people could call to report their lost credit cards. It was an easy business to get into—all you needed was a telephone and a paper and pencil."

The brothers launched their enterprise "with $500 and an old typewriter," says Peter.

SafeCard operated then on the same plan it uses now. Cardholders buy a protection plan through the card issuer, and are given a toll-free number to call in case the card is lost or stolen. SafeCard answers the phones and notifies the card issuer to invalidate the card and issue another.

The firm also manages address changes for card issuers.

The Halmoses' competitors number a half dozen. The largest is a California firm doing less than one sixth of SafeCard's business.

For SafeCard's service, the card holder is billed $12 by the card company, which sends $9 to SafeCard.

Low on funds in 1971, the Halmoses went public with a small $215,000 stock offering. Using $35,000, they bought a similar existing service in New York called "Hot Line," which had several small card companies as clients.

"It wasn't until 1974, when we landed Atlantic Richfield Corporation, our first big account, that we started to grow substantially," says Steven. "Today we have under contract more than 100 different credit cards." Among them are nearly all the oil companies plus several major card issuers such as American Express.

Years ago the brothers had to share a car, but today Peter drives to work in a Porsche and Steven in a Mercedes-Benz. Together, they own 15 percent of the corporation's 22 million outstanding shares valued at $550 million.

One thing has not changed for the Halmoses—their formula for success. Explains Peter:

"It is really quite simple. The pipeline between credit card companies and the public was already in place. We merely keep putting things in the pipeline."

—*Del Marth*

Making It

PEOPLE

When A Niche Is Enough

Despite the slump in Silicon Valley, T.J. Rodgers has led his chip company, Cypress Semiconductor, to spectacular sales growth by concentrating on chips that permit more powerful computers to be put in smaller packages.

PHOTO: KAREN BORCHERS

T.J. Rodgers, a young veteran of the semiconductor industry, certainly had enough smarts to start his own Silicon Valley chip company in April, 1983. After all, he had graduated Phi Beta Kappa from Dartmouth College, held a Ph.D. in electrical engineering from Stanford University and had been working as a product manager at Advanced Micro Devices, one of America's most respected semiconductor manufacturers.

Still, nobody thought that his company, Cypress Semiconductor, would do as well as it has. Although chip companies are still mired in their worst slump ever, Cypress has had an easy time raising $40 million in venture capital, including $8 million in February. Then, in May, the company raised $73 million in an initial public offering. Cypress has now been profitable for four consecutive quarters. In the first half of 1986 it earned $5.2 million on revenues of $22 million, up from a loss of $5.6 million on revenues of $5.6 million in the year-ago period.

In terms of revenue per employee, it is growing at a faster clip than legendary Intel Corporation did at the same stage in its life.

There is no big secret behind all this. Rodgers, 38, says he has been successful because he adheres strictly to unusually solid manufacturing and marketing strategies.

Nobody has to tell him that the chip industry has become fiercely competitive. Plenty of tough domestic companies are fighting for business in a market no longer characterized by skyrocketing growth. And then there are the highly efficient Japanese, who have virtually captured the dynamic random access memory semiconductor market and are making major inroads in other types of memory chips.

But San Jose-based Cypress has built a good nest as one of a handful of companies that produce nothing but high-performance CMOS (complimentary metal oxide silicon) semiconductors, using a chip technology that enables semiconductors to consume much less power and thereby run cooler. This means that more powerful computers can be put in smaller packages.

The growth in CMOS chips is expected to dramatically outpace that in other types of semiconductors. When the competition does heat up, Rodgers will be ready.

None of Cypress' semiconductors has transistors with a gate length exceeding 1.2 microns (a micron equals one millionth of a meter). A gate length is the thin electrode that connects two of a transistor's terminals, allowing current to flow through. The smaller the gate length, the shorter the distance through which power must pass and the faster a semiconductor can operate. In a nutshell, this means that Cypress makes state-of-the-art semiconductors that can be readily plugged into the most advanced computers.

Moreover, the company is concentrating solely on "niche" markets—those with annual sales of no more than $40 million. One such niche is the production of special semiconductors used to store data in high-speed computer applications.

The way Rodgers sees it, by focusing on niche markets Cypress will avoid head-to-head competition later with the kingpins of the semiconductor industry. Most of them will not be interested in chasing sales in relatively puny markets. "We have four different product lines and multiple products within each line," Rodgers says. "That allows us to get clobbered on different products and still meet our goals."

For all that Cypress has going for it, it probably would not be as successful as it is today if Rodgers had not implemented an unusually stringent company culture. Cypress goes to great lengths to hire the best people it can. Weekly, each of Cypress' 315 employees gets a new set of goals, and progress is monitored by computer. The names of those who fall short are spotlighted at management staff meetings.

But Rodgers is not trying to harass his employees. Instead, the system is designed to help top management head off problems. "This gives us 13 messages each quarter that something is wrong," Rodgers says. "That means we have 13 chances to correct it."

"Life is unfair" is an important corporate maxim. The message: Just because you work hard and do what you are supposed to do, do not assume that things will work out well. Be prepared for unexpected burdens and remember that customers are not interested in hearing about them. They simply want top-flight products delivered on time.

Rodgers says a corollary to this principle is the willingness to admit mistakes. "We are always working at the state of the art. That means we are always on the edge of disaster. The winners in our business admit their mistakes quickly and solve them."

Says Fritz Beyerlein, Cypress' vice president of manufacturing and a veteran of the semiconductor industry: "T.J. is probably the smartest, best-rounded guy I have met in the business. And he has tremendous energy and drive. He always assumes that the best case is the only case."

David Morgenthaler, a general partner in the Menlo Park office of J.H. Whitney & Co., a venture capital firm that has invested $4 million in Cypress, rated it in the top 10 percent of his firm's investment portfolio before Cypress went public. "T.J. is as tough on himself as he is on others," Morgenthaler says. "He allows no excuse for not making his business plan."

—*Steven B. Kaufman*

Finding Riches In Ruffles

More fabric, more ruffles—those are the not-so-secret ingredients in Dorothy Noe's curtains. Her custom-made window hangings, once produced in the family garage in Wilmington, N.C., now command sales of $13 million a year.

PHOTO: DOROTHY'S RUFFLED ORIGINALS

Even her product names whisper with the sounds of soft sophistication and flouncy femininity that make up her personality: Williamsburg Rust, Flower Patch Pink, Burgundy Bonnet, Oriental Garden Grey, Country French Brown and Lavender Honey. These are more than just bolts of material that comprise the fabric selection of Dorothy Noe's $13 million custom-made curtain business, Dorothy's Ruffled Originals, Inc.

Noe says her Wilmington, N.C., company offers its customers curtains with "66 percent more fabric and 50 percent more ruffles" than standard commercial issue.

Abundance was the value that inspired Dorothy Noe's business. She was a homemaker with a new house to decorate. While shopping for window treatments, she rejected ready-made curtains. She thought they lacked the fullness and warmth the antique decor of her cottage-style home demanded. She took sewing lessons and designed and made her own curtains.

Later, while selling some of her antiques, she found that prospective buyers were more impressed with the voluminous 96-inch-long curtains at her windows. Suddenly she was taking orders—for curtains, not antiques.

"I couldn't believe so many people were just begging for these curtains," Noe recalls. By late 1973, her curtain company was born in the family garage. She had a seamstress and an installer. She did everything else—visited the homes, measured windows, gave estimates, advertised and promoted the business.

Noe never took any business, marketing or advertising courses, nor has she used consultants. Instead, the company's decisions have been based on "thinking and judgment," she says. "I look back and I wonder how, but it seems like the decisions made at that time were all good." Jokingly, she adds: "Training and background might have interfered with success. What I did was intuitive."

Intuition steered Noe to restaurants, dentists' offices and boutiques, where she persuaded owners to use her curtains.

She built on that exposure, and, in 1976, expanded by adding mail order. In 1978, she switched from black-and-white to full-color ads. That year the business also left the garage when a retail store, showroom and three factories were established.

She has now expanded into wholesale marketing, distributing curtains and accessories to department stores, interior decorators and window treatment stores.

Noe also owns 10 Dorothy's Ruffled Originals stores in North Carolina, South Carolina, Georgia and Virginia where she sells folk art and gifts. Her original staff of two has ballooned to 300, and she estimates that 1986 sales will exceed $20 million.

Personal style and family support contribute as much to her success as her intuitive lucky streak. She also says that her traditional standards of behavior and definition of femininity have served her well in functioning in business, which many still consider part of a "man's world."

"Today my success speaks for itself, and the men I deal with respect that," she says. "But it hasn't always been that way. When I first started out negotiating with bankers and suppliers, I knew I had to tell them what they wanted to hear. One lace vendor, for instance, would not do business with me because my order was too small. Instead of arguing with him, I committed to 100,000 yards of lace, deliverable and payable in small increments every month. He was happy to hear that.

"You can be hardnosed and nice and still get there."

Noe was not raised to become a businesswoman, and she is glad of that lack of formal preparation. "If I had planned it," she says, "I would have messed up for sure. If I had done anything differently, my business would not be what it is today."

Brought up in a large family, Noe learned early that rewards came after hard work.

"I was born with a lot of desire and drive," she says. "And I was raised with a lot of responsibility. I learned early that if you want something you have to make it happen for you."

A lady who chooses linen and lace over traditional business uniforms, she is as comfortable talking about characteristics of femininity and family values as she is discussing the daring, entrepreneurial spirit. She calls her husband, Chuck, chief executive officer of the family business, a "good businessman and a great inspiration." Daughters Andrea, 15, and Love, 17, also work part-time for the business.

Noe's dream is to "make Dorothy's Ruffled Originals, Inc., the world's largest curtain company." Noe, homemaker turned entrepreneur, now faces a whole new kind of family planning—passing the business on to the next generation.

Says she: "Andrea recently said, 'Mommy, I want your job.'"

—*Rita Ford*

Making It

PEOPLE

Mail-Order Medicine

George Harris (seated) and three of his executives—Donna Peper (sales administrator), Craig Walgren (vice president, sales) and Kathy Paradis (regional sales director)—are enjoying the success of a Mifflinburg, Pa., company that gives "losers" a chance to win big.

PHOTO: TERRY WILD

George Harris says he turns unsuccesses into success. He defines unsuccess as "any failure or reversal, a situation where you feel you've failed."

Harris, 43, is the creator of PGS, Inc., a firm that has delivered $200 million in sales to clients since 1981. He notes that many of the firm's key people, including himself, have unsuccesses in their pasts. "When companies hire, they only want to talk to winners," Harris says. "But the best employee might be the one who has failed, because that person has learned.

"When I interview, I don't look as much at resumés; I look at eyes and mannerisms. I look for people who know they can succeed." He indicates examples from his staff: "A waitress believed she could do sales but had no experience. Other companies wouldn't talk to her. I gave her a chance, and she's one of our stars." Another salesperson has been unemployed for eight months. A husband and wife, both over 50, who had to close their clothing store, became vice presidents at PGS. "There's a lot to be learned in failure," Harris says. "If you don't try, you don't fail. This is a group of triers."

His wisdom came the hard way. After several years in the food service industry, Harris started his own fast food restaurant. It went under. He began again in real estate investments and did well. Then he expanded into construction. Trapped in the 1979 recession, Harris filed for bankruptcy.

"When you have a business reversal, you find out who your friends are," Harris recalls. "These things just aren't supposed to happen to 'good' people."

Harris' new firm sells mail-order pharmacy services. Its clients are companies that offer mail-order prescription plans as an employee benefit.

Maintenance drugs for chronic conditions such as arthritis and hypertension account for about 80 percent of all prescription drug purchases. Employees can buy these drugs by mail for less than the price of retail drugs, because they are bought in volume from a low-overhead supplier.

Harris developed the idea of selling mail-order pharmacy services after a conversation with his brother-in-law, a pharmaceutical executive. "I was looking for a recession-proof business," Harris says. Commercial mail-order pharmacy was in its infancy, and he thought it could be sold as an employee benefit.

Though mail-order pharmaceuticals have been available to some veterans, under a government program, since the end of World War II, they have only recently been pursued as a commercial venture to the general public.

A market study he conducted convinced him the idea was feasible. He could not interest a pharmaceutical company in the project, so Harris found venture capital and launched the firm himself. In late 1980, he landed his first account, from among the companies he had surveyed in his market study. It took him a year to build a sales staff and to locate a reliable pharmaceutical house to act as his supplier.

By 1983, when competitors began to appear, PGS had its pharmaceutical supplier at capacity, filling 25,000 prescriptions a week. But Harris saw potential for great growth and changed suppliers. PGS now buys exclusively from Thrift Drug Company, a division of J.C. Penney.

When the relationship between the two companies began, Thrift had just formed its Express Pharmacy Services division. "We competed on a few accounts," Harris recalls. "They won one; we won the rest."

The relationship has prospered. In November, 1985, PGS concluded a deal that brought the Aetna Life & Casualty Company into the Thrift program, offering mail-order pharmacy benefits to its business customers, as well as to 3.5 million federal employees.

PGS employees work in two Victorian houses in rural Mifflinburg, Pa. The setting may be antique, but the offices hum with high tech. "It's important to back your people with the best technology available," Harris says. "Anything that makes their jobs easier is going to make for a happier, more productive group."

Although PGS employees work long hours, there is an air of informality in the firm. On Fridays, they dress in casual clothes and may break out beer in the late afternoon. Harris says this informality "adds unity to the organization. It creates pride."

Donna Peper, who has been with the firm for five years, agrees. Hired as a secretary with minimal experience, she has grown with the organization and is now the sales administrator. "George has the ability to let people grow and expand," she says. "He keeps the company flexible. I've watched the firm grow from a few people to 25. That's a lot of growth. But it's still the kind of place where each person's opinion matters."

"This is an opportunity company," Harris says. "Most of us have lost, but we certainly are winners now."

—*Margie Fusco*

The High Court: What It's Up To

Many cases the Supreme Court considered during its last session have a significant impact on business. The fall agenda promises more changes.

By Tony Mauro

The Supreme Court's case roster is a reflection of many of the nation's most pressing concerns. So it is not surprising that our highest tribunal is spending an increasing amount of time considering legal issues directly focusing on the workplace.

Here is a look at how business was affected by decisions handed down in the Court's session that ended last summer—and at business issues the tribunal is taking up in its next term, starting October 6.

Sexual harassment. Businesses may need to take a fresh look at their policies on sexual harassment as a result of one decision. *Meritor Savings Bank vs. Vinson* may have more impact on the rules of the workplace than any other case last session. In no uncertain terms, the Supreme Court said sexual harassment by an employer is an illegal form of discrimination, even when the victims suffer no loss of job or pay, if the harassment creates a "hostile environment."

"When a supervisor sexually harasses a subordinate," the Court said, "that supervisor discriminates on the basis of sex."

Women's groups applaud the ruling. Fredda Merzon, of the Albany, N.Y.-based Center for Women in Government, says there has been an upsurge of interest in training programs that her group puts on to sensitize employers to the harassment problem.

"The fact of a Supreme Court decision does a lot to educate people," says Merzon. "Employers who have taken a laissez-faire attitude are going to have to take notice."

Business groups—including the National Chamber Litigation Center—agree. They also like the Court's ruling because it contains features that will help employers defend against harassment claims that arise.

"We really didn't think the Supreme Court would rule any differently on whether sexual harassment was illegal," says Stephen Bokat, center vice president. "We were more interested in liability and proof issues, and on those, we won."

Tony Mauro is the Supreme Court reporter for Gannett News Service.

An organization of black Cleveland firefighters—these are some of its members—won a victory in a Supreme Court case that may impact on many employers. The Court upheld an affirmative action plan requiring a set percentage of firefighters to be minority members.

PHOTO: JAKE RAGAN—STUDIO R

Employers are not necessarily either off the hook or liable in a case of harassment they do not know about, the Court ruled—it said circumstances that can vary case by case will be determinants.

A lower court had held Meritor Savings Bank, in Washington, automatically responsible for the harassment of teller Mechelle Vinson even though the bank was unaware that it was going on.

Key circumstances for an employer in such a case, the Supreme Court said, are whether the employer has a policy for dealing with sexual harassment and how well the policy is implemented.

The High Court also held that employers can rebut harassment charges with evidence that victims invited sexual advances through provocative dress or behavior. In the Vinson case, the lower court had ruled out attempts to make that contention.

Isolated offensive conduct does not create an illegal situation, the Supreme Court ruling indicated. It said: "For sexual harassment to be actionable, it must be sufficiently severe or pervasive to alter the conditions of the victim's employment and create an abusive working environment."

Says Robin Conrad, the litigation center's director: "The employer has a responsibility to create a pleasant work environment."

Experts who have studied the ruling and other legal decisions on sexual harassment say that in establishing a company policy on the subject, an employer should be sure to prohibit both flagrant and subtle forms of sexual harassment, including:

- Threats or insinuations that refusal to agree to sexual advances—or even the request for a date—will harm an employee's status in any way.
- Continued unwanted advances and unnecessary touching.
- Repeated verbal abuse and use of degrading language or commentary about an individual's body.
- The display of sexually suggestive pictures or objects in the workplace.

A single dirty joke will not trigger legal trouble, nor will a friendly throwing of an arm around shoulders to congratulate a worker on good news, experts say, but if there are persistent,

unwanted recurrences, they should be stopped.

Establish a complaint procedure, experts advise. They say it should guarantee complete confidentiality and specify where a victim can complain. Telling workers to complain to their supervisors is not enough, since the supervisor may be the harasser—as was allegedly the case in the dispute before the Supreme Court. Some companies specify a personnel officer as the recipient of all complaints; others permit complaints to be lodged with anyone in a management position.

Experts also say decisive action should be taken without delay—including firing an offender, if necessary—once it has been determined that a complaint is legitimate. Supervisors, experts advise, should be warned that allowing the problem to continue or hoping it will go away is unacceptable. Judges or the Equal Employment Opportunity Commission may not be sympathetic.

Affirmative action. Affirmative action programs are another subject important to business that the Supreme Court took up in its last term. It handed down major decisions. And it gave notice that it is not through with the subject, with which it has wrestled for more than eight years. The Court agreed to hear two more cases in its new term.

Historically, affirmative action has been used to increase employment opportunities for minority groups. However, the Reagan administration has argued against sweeping affirmative action programs, insisting that beneficiaries should only be individuals who have personally suffered from discrimination.

But the Court now takes the position that "nonvictim-specific" programs, as lawyers call them, are acceptable.

"After some uncertainty in recent years, the Court seems to be back where it is feeling comfortable with employers' adoption of voluntary plans," says the National Chamber Litigation Center's Bokat.

Decided in the last term were appeals of cases in which federal judges had approved plans to increase minority representation among Cleveland firefighters and New York sheet metal workers. Whites challenged the plans.

In Cleveland, the city and the Vanguards of Cleveland, an organization of 135 black firefighters, agreed to establish a 29 percent membership goal for minorities.

In New York, a judge found pervasive discrimination in sheet metal workers' training programs and set the same percentage goal.

The Supreme Court approved both plans.

Says black Cleveland Battalion Chief Sant Lovett, 44: "I'm a chief as a direct result of affirmative action." But he adds: "There's no question that I'm qualified."

Says Diane Vaksdal, lawyer for the Mountain States Legal Foundation, of Denver, which entered the Cleveland case on the side of opponents of the percentage plan: "The Court seems to be setting up a sort of continuum, distinguishing between programs that involve hiring, promotions or layoffs."

"For sexual harassment to be actionable, it must be sufficiently severe or pervasive to alter the conditions of the victim's employment and create an abusive working environment."
—U.S. SUPREME COURT IN *Meritor Savings Bank vs. Vinson*

In another case, involving Jackson, Mich., teachers, the Court disapproved of a layoff plan aimed at keeping newly hired blacks in the work force when jobs had to be trimmed. The Court seems to dislike such plans because they harm specific whites—individuals lose their jobs.

On the other hand, affirmative action plans that involve hiring, such as the ones in Cleveland and New York, seem more acceptable to the Court because the benefit to minorities is clear and the harm to whites is less pointed; no specific person loses a job.

Cases the Court has agreed to hear in its new session involve whites who claim affirmative action programs cost them promotions.

In one case, a man says the Santa Clara, Calif., Transportation Agency promoted a less qualified woman over him solely to correct a "statistical imbalance" in the number of women in supervisory positions.

In the other, the Reagan administration is challenging a promotion plan for the Alabama state trooper force that is aimed at making up for historic discrimination against blacks. For every white promoted, a black has to be promoted.

Vaksdal of the Mountain States Legal Foundation says that if Santa Clara's affirmative action plan is upheld, it could lead to expansion of affirmative action plans into areas where no past discrimination is provable but where minorities are statistically underrepresented.

"Until now, the Court has said that if businesses wanted to set up these programs, they'd better be able to show there was past discrimination," she says.

Other major business-related issues that the Supreme Court issued rulings on in its last term or will be taking up in its new session:

Privacy. Businesses face more government snooping from the air. The Court has held that the Environmental Protection Agency acted properly when it took detailed aerial photographs of the sprawling Dow Chemical Company plant in Midland, Mich., in search of Clean Water Act violations. The EPA had not obtained a search warrant in advance; the Court said getting one was unnecessary.

Noting that commercial airline passengers could have observed the same scene, the Court said Dow should not have expected total privacy. "The mere fact that human vision is enhanced somewhat, at least to the degree here, does not give rise to constitutional problems," wrote retiring Chief Justice Warren Burger.

The ruling is a blow to manufacturers that must maintain operations outdoors for safety or economic reasons. They fear competitors can learn trade secrets and other valuable information by obtaining photos that government agencies take in the course of enforcing worker safety and environmental laws.

With surveillance technology—including photos from space—improving rapidly, the problem will only worsen. "It's a frightening prospect," says the National Chamber Litigation Center's Conrad, who wrote a brief supporting Dow. "The Court seems to be saying that privacy decreases as technology increases."

Wetlands. Developers could find new roadblocks in the way of their plans for millions of acres of land nationwide, as a result of a unanimous Supreme Court ruling.

It came in a case involving George Short, whose plans for building homes on 80 acres near Lake St. Clair, outside Detroit, were halted by the Army Corps of Engineers in 1976. The corps viewed part of the property as a wetland, though Short claimed any wetness was due to poor drainage and was not "hydrologically related" to any other body of water.

The Court expanded the corps' authority under the Clean Water Act to regulate development in wetland areas. The corps now can require permits for development affecting not only navigable waters but also adjacent wet areas.

Government agents had a right to take photos of a company plant from the air without a warrant, the Court held. Comment from the business side: "It's frightening. The Court seems to be saying that privacy decreases as technology increases."

Pregnancy benefits. A case scheduled for argument this fall could serve as fuel for the growing national debate over what special benefits, if any, employers should provide to pregnant workers or their husbands. Congress is to consider a bill that would require employers to provide a minimum of 18 weeks' leave to either parent of a newborn.

The case arose from a dispute involving receptionist Lillian Garland, who took six weeks off from her Los Angeles job in 1981 to have a baby. When she told her employer, California Federal Savings and Loan Association, that she was ready to return, she got bad news: her job had been filled.

She filed a complaint with the state Department of Fair Employment, invoking a California law—similar to laws in Connecticut, Massachusetts and Montana—requiring employers to provide up to four months' unpaid leave for employees "affected by pregnancy, childbirth or related medical conditions," with a guarantee of their jobs back on their return.

The state agency accused Cal Fed, on Garland's behalf, of violating the California law. The bank challenged the law and won.

A federal judge said that the state law, by treating pregnant women differently from those with other "disabilities," violated the federal Pregnancy Discrimination Act, which bars disparate treatment.

But an appeals panel reversed, reinstating the California law. Civil rights laws, the tribunal said, "construct a floor beneath which pregnancy disability benefits may not drop—not a ceiling above which they may not rise."

Cal Fed appealed to the Supreme Court, which agreed to hear the case, guaranteeing that the dispute will stand as a symbol of a problem employers face now that about half of American women with children under age 2 work outside the home.

Some women's groups have shied from rallying to the support of Garland or the California law. To California's offer of special benefits for pregnant women, they are saying, "Thanks, but no thanks."

To them, laws that give women extra benefits also give employers an excuse not to hire women in the first place.

An extensive American Civil Liberties Union report traces the long history of labor legislation aimed at protecting women in the work force and asserts that rather than helping women, as the drafters intended, the laws served to guarantee that women received lower wages and enjoyed fewer job opportunities.

Some activists defend the California law, however. A coalition that includes prominent feminist Betty Friedan, the National Association of Working Women and Planned Parenthood told the Supreme Court that striking the California law would "force female employees to choose between their jobs and the right to procreate."

For their part, business groups—especially those representing multistate employers—appear united in opposing the California law.

Allowing states to require pregnancy leaves at will could force employers to offer different benefit packages in each state. "The issue of uniformity is very important," says Theodore Olson, lawyer for Cal Fed.

Business also chafes under conflicting dictates of federal and state laws. "You can't treat pregnant women equally at the same time that you are treating them specially," says the National Chamber Litigation Center's

THE NATION'S BUSINESS

The High Court: What It's Up To

Conrad. The center has filed a brief on Cal Fed's side.

AIDS discrimination. The case involves a Nassau County, Fla., schoolteacher with tuberculosis, but it is being viewed as an important test of whether employers can be barred from discrimination against victims of acquired immune deficiency syndrome—AIDS.

Gene Arline, a third grade teacher, was discharged after she had relapses of tuberculosis, a condition she had not revealed when she had applied for her job 11 years earlier. She sued the school district under Section 504 of the Rehabilitation Act of 1973, a federal law that prohibits discrimination against the handicapped in federally assisted programs.

A U.S. district court disagreed with her, but an appeals court reversed, ruling that her tuberculosis was a "handicap" that earned her protection under the law. If the Supreme Court agrees, the ruling could be cited in legal arguments that victims of AIDS, which like TB is a communicable disease, also come under the law.

The Justice Department and business groups are urging the Court not to adopt the view that Arline's disease means she is handicapped.

"Contagiousness is not itself a handicap," says a Justice Department brief.

Union liability. The Supreme Court has agreed to decide if unions can be held liable in state courts for employee injuries on the job.

Unions are concerned, because 55 percent of collective bargaining agreements with manufacturers include some form of union-management safety committee, making the unions susceptible to suit.

Electrician-apprentice Sally Hechler was permanently injured in a job-related accident in Broward County, Fla. Florida's worker compensation law barred her from suing her employer, Florida Power & Light Company, but she sued her union, the International Brotherhood of Electrical Workers.

Hechler claimed that negligence by the union had left her without proper training that would have prevented the accident.

A federal judge dismissed the suit, but an appeals judge reversed, ruling that Hechler's claim should be handled in state courts.

The union appealed, and as a result, another business-related case is now headed for argument before the Supreme Court. NB

PERSONAL

To Your Health

If employees are trained in emergency care, they can help both their companies and their co-workers.

By Gary M. Kaplan

On a lovely spring afternoon, after a company softball game, Steven G. watched helplessly as a co-worker died of a heart attack. Neither he nor any of the two dozen other employees at the game were able to provide much assistance. "We found a phone and dialed for an ambulance," he remembers sadly. "And then we hopped from foot to foot waiting for the paramedics."

That wait was six agonizing minutes. With the three minutes it took to locate a telephone, nine minutes had elapsed since the heart attack. The paramedics tried to revive the victim with oxygen, intravenous drugs, cardiac defibrillation and CPR—cardiopulmonary resuscitation—but they were unsuccessful.

More than 100,000 people die needlessly each year from heart attacks, simply because aid was not provided quickly enough, says Gerald M. Dworkin, who runs Lifesaving Resources, a Springfield, Va., consulting firm that specializes in accident prevention and emergency management. Time is everything in treating someone who has stopped breathing, he says.

"Without oxygen, the brain and other vital organs begin to die within four minutes," he says. "Paramedics' effectiveness, no matter how well trained they are, or how well equipped their ambulance is, won't do much good if they arrive after those first four minutes. The key is *immediate* CPR administration." Immediate CPR treatment will not only keep the victim alive, but it will also reduce damage to the victim's body—thereby shortening the hospital stay and helping the stricken employee become productive again as soon as possible.

"Not only is CPR lifesaving, it is cost-effective as well," says Dr. C. Mark Vasu, of Grand Rapids, Mich. Losing an executive or key employee may cripple a company, says Vasu, a cardiologist who has been involved in emergency medical care and CPR instruction for over 25 years.

CPR courses are taught by the American Red Cross and the American Heart Association, as well as many YMCAs, health clubs and fire departments. Necessary any time breathing stops—because of heart attacks, choking or traumatic head or chest injuries—CPR is the combination of mouth-to-mouth resuscitation (rescue breathing) and external cardiac compression, or pushing down on the chest. Rescue breathing provides life-giving oxygen to the victim's lungs while external cardiac compression forces the oxygen through the circulatory system to the brain and other vital organs.

There are two levels of CPR training. The most extensive is the Red Cross' "CPR: Basic Life Support" course. It covers "one-rescuer" CPR (where one person performs both rescue breathing and external cardiac compression); "two-rescuer" CPR (where one person performs rescue breathing and a partner does external cardiac compression); CPR for infants and small children; clearing obstructed airways; and properly contacting professional medical emergency personnel. This eight-hour course may be taken in one day or spread over two days.

Abbreviated courses are the Red Cross' "CPR: RACE For Life" (RACE stands for "respiratory and circulatory emergencies") and the American Heart Association's "CPR: Heartsaver." Each runs four hours and covers one-rescuer CPR, clearing obstructed airways and contacting professional medical emergency personnel.

CPR instructors will often come to a firm's location, provided there is a minimum number of students. Though cost varies, figure on $25 per employee for the eight-hour CPR class and half that for the four-hour course. For groups of 50 or more, discounts are often given.

Should all your employees be CPR-trained? Though that is certainly the ideal, many companies designate certain key staff members to receive training. Each firm's situation should be carefully evaluated, advises Kenneth Cardwell, director of safety services for the Golden Gate Red Cross in San Francisco. "If a company has several buildings, for example, there should be CPR-trained people in each," he says. "The goal is to have someone always available to provide immediate CPR." NB

An employee familiar with CPR can mean the difference between life and death to a fellow worker in crisis. In "two-rescuer" training, one individual practices mouth-to-mouth resuscitation while her partner performs external cardiac compression.

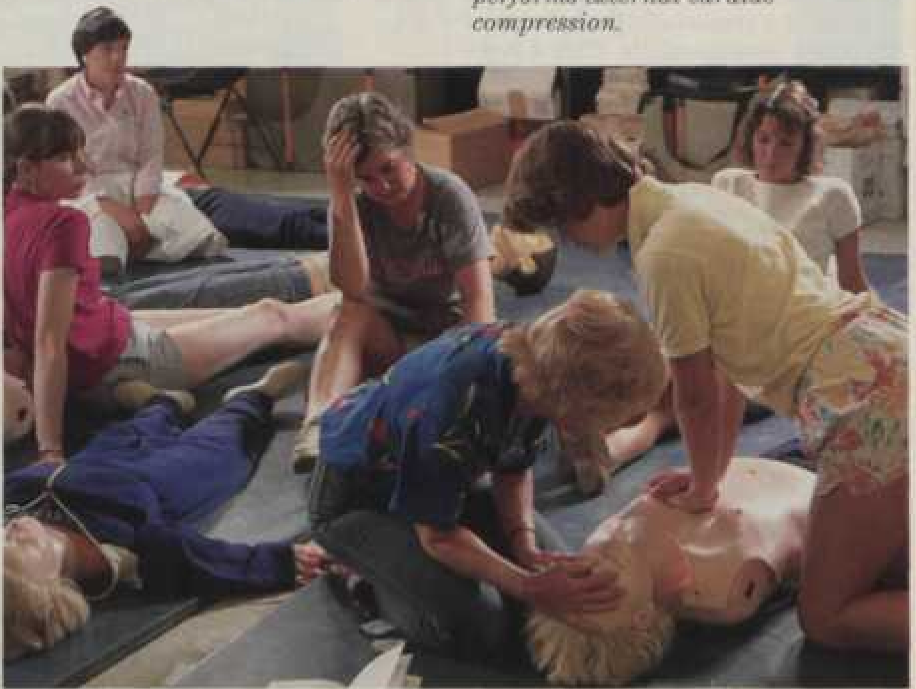


PHOTO: T. MICHAEL KEZA

Gary M. Kaplan is a San Francisco free-lance writer.

The Eyes Have It

Badly used visual aids can irritate and confuse an audience. Some simple rules will make eye-catchers of your presentations.

By Judith K. Stein and Marya W. Holcombe

Not long ago we watched a businessman lose his credibility, and any chance of making his points persuasively, within the first 90 seconds of a presentation to a group of important customers. He came a cropper by ignoring a few common sense rules about visual aids.

People generally remember best what they can both see and hear. And because they remember images better than words, almost any presentation can benefit from astute use of visuals. But badly constructed or indifferently used visuals irritate rather than impress, confuse rather than convince.

Here is how the businessman came to grief.

While people were still getting settled in their seats, he quickly stepped to the front of the room and turned on the overhead projector before there was anything in the machine to project.

Rule 1. Don't distract your listeners from your message. Directing an audience's gaze to an empty screen is counterproductive, at best. Before he said a word, the businessman had already created a distraction. The audience stopped looking at him; they were transfixed by the glow of the empty screen.

Without skipping a beat, our speaker then launched into the heart of his presentation.

Rule 2. Use the first few minutes of the presentation to establish rapport with your audience. Don't state your theme or main point immediately. It takes time for people to shift gears and direct their attention to you. And listeners will use your central idea as the springboard to absorb all related points. Missing it early on, they spend valuable time wondering, "What's this all about?" Pausing a minute or two, smiling and saying a few words on a neutral topic will help ensure that you have your audience's attention.

Our misguided businessman next picked up his first visual—a copy of an 8½- by 11-inch page of statistics without a frame—plopped it crookedly on the projector screen and, pointing to the last tiny number in the eighth column, said: "I want you to concentrate on this figure."

A visual aid that cannot be read easily—like a crowded page of type or figures—quickly becomes a visual hindrance.

ILLUSTRATION: CAMERON GERLACH

Rule 3. Everyone in the room should be able to read the visual. It is relatively easy to run a page through the copier. But type size that is legible in a report is unreadable on a screen. Complex, crowded visuals rarely work. Audiences are confused by overabundant data and will often focus on an extraneous detail, ignoring your central message. Text visuals should have no more than six or seven lines of type.

Rule 4. Construct transparencies horizontally. Most projectors have arms that block the bottom section of the screen, making it difficult for some members of the audience to see what is written on a vertically projected transparency. Even with a frame, distracting light is likely to seep around the edges of a vertical overhead.

Rule 5. Use a frame. Cardboard frames are bulky, and it takes time to tape transparencies to them. But frames can block unnecessary light, prevent visuals from slithering off the machine and provide a valuable space for the speaker to write notes.

Unwittingly, our business executive kept stepping between the machine and the screen as he warmed to his topic. Ignoring the whispering in the audience, he continued.

Rule 6. Move away from the machine to the screen occasionally. This will permit you to use up some surplus energy, while conveying the impression that you are in control and do not need to hang on to the projector for security. But be sure you don't wander between the projector and the screen. The chart or graph emblazoned on your shirt will provide more amusement than enlightenment.

Rule 7. Watch your audience closely for nonverbal cues and respond to them. Any presenter, no matter how polished, can lose an audience. It is important to monitor the group at all times. If no one nods or smiles, or some members of the audience seem puzzled, stop and invite questions. Ideally, a management presentation should resemble a conversation more than a lecture.

But our businessman, caught up in his own rhetoric and oblivious to the foot shuffling and occasional murmuring from his less-than-rapt listeners, continued merrily on for another 10 minutes, replacing one complex visual with another.

Rule 8. Once you have finished talking about the visual, remove it from view. Text visuals provide guidelines to help the audience follow the flow of the presentation; charts and graphs emphasize major points. When you are done with the visual, turn off the projector, or turn the flip charts to a blank page, and walk away, preferably toward the audience. People in the audience will appreciate the change of pace and focus their attention on you rather than the last chart or graph.

When our businessman finally announced he was finished, the audience filed out swiftly—almost with relief and probably unconvinced.

The eight rules he ignored would have served him well. Along with a persuasive and logical argument, they are essential for any effective presentation. ■

Marya W. Holcombe and Judith K. Stein are principals of Strategic Communications, West Haven, Conn., specializing in training managers to improve their written and verbal presentations.

Automatic Golf.™

The swing you don't have to think about.

Automatic Golf is just that. A specific method that not only enables you, but causes you, to strike the ball solidly on target, time after time, without having to think your way through your swing. The Automatic Golf method is *learned at home.* You take your swing to the course instead of trying to find it there.

By combining his background as a sports biomechanical researcher at the University of Florida, a club designer and golf professional, *Bob Mann* has created a step-by-step method that removes the subjectivity and mystery from the golf swing.

Automatic Golf profoundly simplifies the golf swing.

You will see proof that such terms as "wristcock," "delayed hit," "pronation," "supination" and all the other features you have been striving for are all effects . . . not causes. They happen correctly and automatically, swing after swing . . . as soon as you quickly master Bob Mann's Automatic Golf method.

Complete in one tape . . . Volumes I & II

Volume I of this two-volume 42-minute cassette enables you to master Automatic Golf at home. You'll learn a simple pre-swing procedure that places the proper muscles in command before the swing.

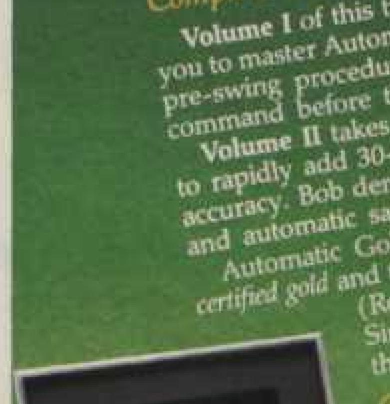
Volume II takes you to the course and shows you how to rapidly add 30-80 yards to your drive while increasing accuracy. Bob demonstrates the fast-stopping pancake shot and automatic sand play.

Automatic Golf is the first sports method video to be *certified gold* and the first to be *certified platinum* by the RIAA (Recording Industry Association of America).

Since its release in December of 1982, over 900,000 golfers have benefited from the Automatic Golf method.

Groove a fluid, automatic swing—for less than the cost of a golf lesson!

$14.95
VHS or Beta



Bob Mann's Automatic Golf is the first Sports Method Video to be CERTIFIED PLATINUM! (June 25, 1985)

AUTOMATIC GOLF AVAILABLE NATIONALLY AT: Waldenbooks, B Dalton, JC Penney (Sporting Goods Dept.), Camelot Music, Nevada Bob's, Pro Golf and participating Osco Drugs.

AVAILABLE REGIONALLY AT:

WEST
Fred Meyer Stores, Circle K (Tucson), Wherehouse Entertainment, Gemco, Music Plus, Dave Cook's, Sunset Sports, Wolf's, Tower Video, Gart Bros., Leo's Stereo, Sportmart, Van's Pro Shop, Roger Dunn, participating Longs Drugs, Federated Group, Payless Drugs and Skaggs Alpha Beta (CA).

CENTRAL
Oshman's (Houston), Meijer Stores, Dominick's (Chicago Area), Marsh's, Hasting's Video Locations, Peaches, Applause Video, Record Town, Tape World, Sportmart, Supreme Golf and Golf Mart.

EAST
K-Mart (S.E. FL & Orlando), Erol's Video Club, Allied Sporting Goods, Record Town, Tape World, Sams Golf, Larry's Golf, Spec's Music, Edwin Watts Golf, Washington Golf Centers, New York Golf Centers and Golf Warehouse (GA).

TO ORDER BY MAIL send your check for $16.95 ($14.95 + $2.00 postage & handling) to: Video Reel, 28231 No. Ave. Crocker, Suite 120, Valencia, CA 91355. Order mailed within 48 hours to address on check unless otherwise specified. Please specify VHS or Beta.

Consult your physician before beginning this or any other program. Certain sports may not be appropriate for all people.

Circle No. 54 on Reader Service Card.

Where I Stand

Results of this monthly poll on important public policy issues are forwarded to top government officials in the White House and Congress.

1. Forced Retirement At Age 70?

Congress is considering bills that would outlaw mandatory retirement based on age. Current law allows employers to require workers to retire at 70, though only 24 percent of a cross section of companies that took part in one survey last year have such a policy. Foes of forced retirement compare it to discrimination based on race, religion or sex. Supporters say employers need the option of implementing retirement policies applicable to all employees at a reasonable age as an aid in pension and personnel planning. Should employers continue to be allowed to require retirement at age 70?

2. Make The IRS Self-Supporting?

A provision in the Senate's proposed tax code changes would make the Internal Revenue Service a self-financing operation: A percentage of money raised through tax penalties would support the agency rather than go into general revenues. Advocates say self-financing would allow the IRS to hire more auditors at a time when its budget is shrinking and tax avoidance is rising. Opponents say the change would turn IRS agents into bounty hunters and insulate the agency from congressional scrutiny in the budget process. Should the IRS become self-supporting?

3. End U.S. Trade With South Africa?

The House in June passed a bill that would clamp a trade embargo on South Africa and require more than 250 U.S. companies doing business there to leave. Proponents say tough sanctions are necessary to demonstrate American resolve against the policy of apartheid in South Africa, where racial violence is spreading and the government is responding with new restrictions. Critics of sanctions say they would hurt black workers and might not bring about change. Should Congress embargo trade with South Africa and require U.S. firms to leave?

Verdicts On July Poll

Here is how readers responded to the questions in the July issue's Where I Stand poll.

	Yes	No	Undecided
Should Congress reform the tax code along the lines of the Senate Finance Committee plan?	64%	22%	14%
Should the federal government require parental leave benefits?	10%	87%	3%
Should Congress enact proposed reforms to the Davis-Bacon Act?	82%	9%	9%

Send in your vote on the inserted postpaid card. Explanations of your views on any of these questions are also welcome as letters to the Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062.

READER SERVICE

Advertiser Information

The advertisers listed to the right will be pleased to send additional information about their products and services—at no cost to you. Make your selections by circling the advertisers by number on the attached postage-paid reply card. Fill in the additional information and drop in the mail. NATION'S BUSINESS will see that your requests are forwarded promptly.

Reprints

Order your personal copies of these timely articles today!

☐ **It's Never Too Late** (p. 18). Senior citizens show there's no age limit on entrepreneurship.
________ **Quantity**

☐ **Finding The Right Franchisor** (p. 34). For franchisees, it's a lot like searching for the right spouse.
________ **Quantity**

☐ **Surplus Stock: Going, Gone!** (p. 39). How auctions can convert your firm's excess assets into cash.
________ **Quantity**

☐ **Getting Past The Liability Crisis** (August issue). Copies of this guide through the insurance crunch are still available.
________ **Quantity**

Send your order and check to:

Nation's Business Reprints 1615 H Street, N.W.
Washington, D.C. 20062 (202) 463-5877

1 to 9 copies	$1.99 each
10 to 29 copies ...	1.49 each
30 to 99 copies ...	1.19 each
100 to 999 copies .	.99 each

More than 1,000 copies, please call. Reprints from past issues are available. Other articles available by special order.

Name ________

Title ________

Company ________

Address ________

City ____ *State* ____ *Zip* ____

NATION'S BUSINESS CLASSIFIED

Classified Ads

Classified Rates And Information

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	3x	6x	12x	—frequency
$37	$33	$29	$22	—line rate

Ad minimums: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad), Nation's Business Classified, PO Box 1200, Washington, DC 20013.

ADVERTISING

BUMPER STICKERS. Promote your business, product, service, club, resort, etc. w/quality at low cost. For info pak call STICKERS PLUS: 1-800-638-2000. In MD: 1-800-831-4300.

THE BANNER FACTORY
can make your custom-made banners for your club, retail store, product or service, resort, etc. CATALOG AVAILABLE. SHIP U.P.S. SCREEN PRINTING. 1-800-824-0394. In Calif. 1-800-654-0294. Operator #30.

APPAREL/UNIFORMS

WORK CLOTHING & UNIFORMS: Free company emblems & 1st name included. Carefree Uniform Sales, 106 S. Main St., Oakfield, NY 14125. Catalog, 800-833-0012; in NY, 716-948-9033; 8am-5pm, Sat. till noon.

Neck Ties Narrowed
Rediscover some old friends. We'll narrow your closet classics to a stylish 3 ¼" (or state width). Great birthday or Christmas gift. Send $13.50 for each set of 3 ties to: **SLIM TIES CO.** 44 Monterey Blvd., Dept. K San Francisco, CA 94131 **(415) 585-6100**

AUTOMOTIVE

Cadillacs, Mercedes, Porsche, etc. direct from Government. Seized in drug raids. Available your areas. Save $thousands$. 216-453-3000, Ext. A8142.

BOATING

DONATE YOUR BOAT
Receive Cash + Tax Savings
With a bargain sale to a charity, our cash purchase + your state + federal income tax savings give you a substantial financial return. Airplanes, Real Estate & Vehicles.
AMERICAN INSTITUTE
800-826-6840
FL: 305-772-5773

BUSINESS OPPORTUNITIES

Do You Have A Product?
We'll sell it on national TV, produce a hard hitting TV commercial and ship for a percentage of profit.
HAROLD STANLEY, TV MARKETING ASSOC.
1451 West Cypress Creek Rd.
Ft. Lauderdale, FL 33309
305-772-4456

BUSINESS OPPORTUNITIES

M.L.M. Ultimate consumable groceries. 15% avg. discount. Name brands-free delivery. 5%, 5 levels. Incredible! 4 months old. Stamp to: RI, Box 197 AAA, Tryon, NC 28782.

EARN EXTRA INCOME pt.-time or full-time from home. Sell "Ad-Stamps". $24.60 will get you a start-up kit. Send SASE for free info: Ad-Stamps, Box 356, Voorhees, NJ 08043.

A $50,000 prestige business you rent for $99.95 to "try before you buy". Write: National Housing Inspections, 1817 Northhills, Knoxville, TN 37917.

ARE YOU A GOOD MANAGER OF PEOPLE?
New company expanding in Chicago. Will train. Earn between $50,000-$95,000. Call Lori: 312-787-2555.

HIGH INCOME SALES POSITIONS for collection agency. Free career guide & details. N.C.C., 781 W. Oakland Park Blvd., Suite 123, Dept. N, Ft. Lauderdale, FL 33311.

FREE CATALOG of Multi-Level Marketing Mailing Lists. 200,000 names for rent. Charles Possick, Box 59001-NB, N. Redington Beach, FL 33708. Call (813) 392-3119.

UNIQUE PHOTO BUSINESS
Anyone. Fantastic opportunity. Details: Photo's, Box 1291, Whittier, CA 90609.

REAL ESTATE FORECLOSURES/REPS NEEDED
for this profitable business. No cash required. Free information, Horizon Financial Corp., 1404 N. State Rd. 7 Suite 342, Dept. Pompano Beach, FL 33063-2845.

HAIR BREAKTHROUGH produces staggering profits, ecstatic customers. Europe's "Product Of The Year" avail. via networking, which has produced 20% of all millionaires in USA! Rare, ground-flr. opp. 1-800-531-0031 ... tone ... 600-662.

FOR SALE BY OWNER wishing to retire. Est. 13 years. Do It Yourself Center Specializing in Plumbing & Electrical Supplies. $550,000 Inventory. $1,500,000. Terms Cash. Real Estate For Lease. Write: Don Lewis, 728 South Center Street, Turlock, CA 95380.

BEST KEPT SECRET. Earn profits of $50,000 to $150,000 with investment as low as $50,000 owning a CHECK CASHING SERVICE. Extremely liquid "inventory." CHECK EXPRESS, 707 SE 122nd Ave., Portland, OR 97233. (503) 255-1127.

BECOME A SUCCESSFUL MANUFACTURERS' REPRESENTATIVE. Manufacturers' Agents' Newsletter tells you which firms are looking for representatives, the firm's product line and territories available. Established since 1966. For information write: Manufacturers' Agents' Newsletter, Dept. 130A, 23573 Prospect Avenue, Farmington, MI 48024.

INCREASE SALES — USE AN 800 LINE!
RESULTS GUARANTEED
Unique firm offers an 800 line for as little as $35 per month. In addition, we warehouse, process major credit cards & ship for easy mail order start-up/testing. We can act as your sales office in Washington, Switzerland, France or Kuwait. WATS/Telex & addresses available for your letterhead, etc. For details, call anytime:
TELEREP 800 (800) 638-2000
(800-831-4300 in MD)

½ Billion $ of Businesses
FOR SALE BY OWNERS NO BROKERAGE FEES
BUYERS OR SELLERS WELCOME
Toll Free 1-800-233-2115 In TX 1-214-980-4865
GREAT WESTERN BUSINESS EXCHANGE, INC.
14114 Dallas Pkwy. Suite 220
Dallas, TX 75240

INCREASE YOUR INCOME!
FREE DETAILS!
Help arrange loans, leases & other financial services thru nationwide lender network. Prestigious "money" business full/part-time. Top commissions. Complete training, continuing support.
Professional Financial Associates
P.O. Box 697-G21, Dana Point, CA 92629. (714) 240-0405 Ext. 318-G21

DEALERS WANTED
SELL AT 1900% PROFIT
START NOW!
500 TITLES HOW TO & SELF IMPROVEMENT BOOKS
WE DROP SHIPPED. BEAUTIFUL ILLUSTRATED CATALOGS AND CIRCULARS SUPPLIED FOR YOUR MAIL ORDER SALES. DETAILS SEND $1.00 (REFUNDABLE)
LONG PUBLISHING Dept.54
P.O. BOX 1465 GARDEN GROVE, CA 92640

BUSINESS OPPORTUNITIES

HUNDREDS WEEKLY! Become Circular Mailer. Home-operated! Sincerely interested, Rush stamped envelope: NATIONAL MAILING, Box 19759-A9, San Diego, CA 92119.

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. C-1559, Woodland Hills, California 91367

Start a SUPER PROFITABLE BUSINESS from scratch. FREE Subscription to Opportunity Magazine tells how. Write Opportunity, Dept. H55, 6 N., Michigan, Chicago, IL 60602.

WOMEN'S & MEN'S franchise retail clothing stores. $35,000 & up. For brochure write: Jilene Inc., 1052 Camino Del Retiro, Dept. NB, Santa Barbara, CA 93110.

BIG INCOME AS A REP
How to get started. Lines offered. Group programs. United Assn. Manufacturers' Reps, Box 6266-N, Kansas City, KS 66106. (913) 268-9466.

MAILORDER OPPORTUNITY! Start profitable home business in America's fastest growing industry. Nationally known authority will teach you. Write for free book, sample catalog, plus details. No obligation. Mail Order Associates, Dept. 57, Montvale, NJ 07645.

BUSINESS OPPORTUNITIES - INDIA
U.S. companies interested in selling technology/setting up joint ventures in India in electronics, auto parts, chemicals, pharmaceuticals, engineering products, etc. are invited to respond to specialists in joint ventures consultancy: ZENITH COLLABORATION CONSULTANTS PVT. LTD., 112-C Mittal Court, 224 Nariman Point, Bombay 400 021, India. Phone no: 2041844 Telex: 011-3558 ZEN-IN.

HOW TO EXPORT IMPORTS & INVEST IN THE CARIBBEAN. Section One of this NEW BUSINESS OPPORTUNITIES GUIDE provides the framework to develop business prospects for your product or service in the Caribbean Basin's 27 countries with U.S. trade & tax incentives. Section Two identifies commodities which you can export to or import from Caribbean countries. You will know what products are in demand & whether there is a market for yours. Section Three tells you about contact sources & provides 300 leads to assist you with pinpointing business openings. To order the 66-page document send check or money order for $20 payable to Caribbean Business International, 314 W. 53rd St., 2nd Flr., NY, NY 10019.

OWN YOUR OWN STORE.
JEAN-SPORTSWEAR, LADIES APPAREL, INFANT-PRETEEN OR LARGE SIZE

We Offer You:

Have a highly profitable and beautiful store featuring the latest in jeans, dresses, sportswear, coordinates, children's wear or large sizes to size 52. We help you attain success and independence in the fashion field and gain the advantages of business ownership. We have sold over 1200 stores successfully across the United States. $13,300 to $24,900 includes beginning inventory, airfare for inventory selection, fixtures, in-store training or at our training center, location assistance, individualized printing, training and advertising manuals, bookkeeping system, news releases, newsletter, promotional ideas and continuous assistance. You may have your store open in as little as 15 days.

OVER 1,000 Nationally Known Brands

We also offer a Combination Store of apparel, shoes, jewelry, handbags and accessories.

High Country Fashions, Inc.
Since 1977

CALL: STEPHEN C. LOUGHLIN (612) 888-6555

YOUR FUTURE IS OUR BUSINESS TODAY.

BUSINESS OPPORTUNITIES

FOREIGN TRADE FAIR NEWSLETTER: Lists new products offered by foreign manufacturers to U.S. firms. Free details. International Index, Box 836 NB, Newark, NJ 07101.

GOING BROKE BUYING GET RICH QUICK IDEAS? Send $1.00 & SAVE HUNDREDS. Dayton Marketing & Research Co., Attn: Larry Cornett, Program Director, PO Box 354, Dayton, OH 45459.

SAUDI BUSINESSMEN
HAVE MONEY TO BUY & INVEST.
Top finders fee paid. Finders inquiries invited.
Dept. 986NB1: Box 100, Nation's Business

SOUTHEASTERN North Carolina mechanical, plumbing, and utility company for sale by owner wishing to retire. 50 years experience in commercial and industrial work. Will sell outright or stock options.
Box 109, Nation's Business

BUSINESS SERVICES/AIDS

PRE-EMPLOYMENT
SCREENING PROGRAM
1-800-225-2499, Wash/Metro: 370-1999

NATIONAL MARKETING of your product/service on all media. Affordable prices, custom plans, production. Cypress Media Group, 813-933-7098

SALES PRODUCING TOOLS! Sure your skills are State of the Art? Summaries of top 7 sales technique books. Also powerpacked super sales skills from latest in psychology. Send $12: Dowell Assoc., Box 88-4883, S.F., CA 94188.

KEEP YOUR NAME IN FRONT OF YOUR CUSTOMER — INCREASE SALES!

Onyx paper weights made from your business card or camera ready copy.

1-9	$12.50 Ea. ppd.
10-19	$ 9.95 Ea. ppd.
20-99	$ 7.95 Ea. ppd.
100	$ 6.95 Ea. ppd.

Prestige Nameplate 2x10 ... $32.50 ppd. Onyx on Walnut or Oak

MAIL CHECK OR MONEY ORDERS TO:
Chief Office Products, 372 E. "C" St., Upland, CA 91786
PH: 714-981-9317 Allow 3 weeks for delivery

before you hire
CROSS OUT THE CROOKS*

*(over 40% of people are dishonest)

Nationwide hundreds of Corporations use P.O.S. PRE-EMPLOYMENT OPINION SURVEY
(a one page questionnaire)
- PROVEN VALID
- LEGAL IN ALL STATES
- EASY TO UTILIZE
- COST VERY LITTLE

For complete information write or phone (Toll Free)
P.O.S. Corporation
P.O. Box 48232 • Chicago, IL 60648
1-800 – 621-4008

CARPET

TREMENDOUS SAVINGS ON MAJOR BRANDS OF CARPET
From the Carpet Capital of the World
FEATURING CARPETS OF ANSO IV
Soil, Static, Stain Resistant
Call or write for brochure and samples. BECKLER'S CARPET OUTLET, INC., P.O. Box 9, Dalton, GA 30720. Call 404-277-1151. Established 1949.
Buy direct from mill outlet and save!

Buy Direct. Save 40 to 50%
The "Carpet Mill Store"
(A MILL OWNED OUTLET)
Big savings on all types of quality business & home carpets. Shop in person or write your requirements including $10 for samples (refundable upon return or purchase). 303 W. Walnut Ave., Dalton, GA 30720. 404-226-8764

COMPUTERS/ACCESSORIES/SOFTWARE

Best Prices On TANDY Computers

Our 10th year of discounts
Computers & Cellular Phones
Freight prepaid, save tax
Toll Free **800 231-3680**
Marymac Industries, Inc.
22511 Katy Fwy.
Katy (Houston), Tx. 77450
1-713-392-0747 Telex 774132

EDUCATION/TRAINING PROGRAMS

NUTRITIONIST—NEW CAREER FIELD. Complete Home Study, correspondence, educational program. Improve your health and help other people. NUTRITIONISTS INSTITUTE OF AMERICA. Call Now: 1-800-821-5234.

EXTERNAL DEGREE PROGRAMS. Complete BS, MA, PhD, Calif-Bar JD year-round. CITY UNIVERSITY LOS ANGELES. 3960 Wilshire Boulevard, Suite 501, Los Angeles, California 90010. 213-382-3801.

BACHELORS, MASTERS, DOCTORAL DEGREES. Non-residential programs. Send resume, mention Academic Field, and we'll tell you the credits you've already earned from work experience. No Obligation. SOUTHWEST UNIVERSITY, 4532 West Napoleon Ave., Metairie, LA 70001. (800) 835-7427, ext. 324.

EARN MBA PLUS LAW DEGREE

- ☐ Home Study Program
- ☐ Qualify For California Bar
- ☐ Advanced Students Invited

BACHELOR'S, MASTER'S, DOCTORAL Programs Also Available In Business Adm., Human Behavior, Education, Psychology, Religion

NEWPORT UNIVERSITY
3720 CAMPUS DR.
NEWPORT BEACH, CA 92660
(714) 756-8297

EDUCATION/TRAINING PROGRAMS

UNIVERSITY DEGREES for life & work experiences. BA, MA, Ph.D's. Free details. Write: UNA, 222 Bemiston, #222N, St. Louis, MO 63105, or call, 314-854-1060.

EXECUTIVE GIFTS

SWISS WATCH REPLICA'S—Exact weight, color, details. #1 Wholesaler! 100% Satisfaction! Warranty! Absolutely impossible to tell the difference. ORDER NOW! 213-305-8949

EXPORT/IMPORT

HOW TO IMPORT
Sources, etc. Kitco, Drawer 6266-N, Kansas City, Kansas 66106.

FINANCE/INVESTMENTS

NEED A CREDIT CARD?
Will help anyone 18 years and up get Visa or Mastercard or money returned. Call 24 hours 312-798-3500.

FRANCHISE OPPORTUNITIES/SERVICES

WOMEN FRANCHISE OPPT. FOR THE 80's. Beadazzles do-it-yourself jewelry-craft boutiques. Low investment. Write: Beadazzles, 405 Bainbridge St., Phila., PA 19147.

ALL NEW 1986 FRANCHISE ANNUAL DIRECTORY. Fully describes 3,006 Franchisors. Includes Handbook Section concerning what you should know before entering Franchise Agreement. $22.95 includes postage. Money-back guarantee. Info Press, 728 K Center St, Lewiston, NY 14092.

HEALTH/FITNESS

Alcoholic Problems?
within your company?
We RECOGNIZE the DISEASE is HYPOGLYCEMIA
write or call for information on
"AN ALCOHOLIC CAN LEAD A NORMAL LIFE"
For a limited time We will incorporate a
2 week pilot system into your health program
with your volunteers without charge.
Norm-Life Corporation 813-261-4114
P.O. Box 8388 Naples, FL 33941

HOME/OFFICE FURNISHINGS

TURNER—TOLSON. Serving America's Furniture needs for 99 years. Substantial savings on all Major Manufacturers of home/office furnishing. Call 1(800)334-6616 for prices and/or brochures. Turner-Tolson, P.O. Drawer 1507, NB-1, New Bern, NC 28560.

Furniture Shopping ?
Over 150 major lines at discount prices. Call for quotes TOLL FREE: 1-800-438-3858 or write for info: The Furniture House of N.C., Inc., I-85 at Peeler Rd., PO Box 1591, Dept. 16, Salisbury, NC 28144.

TREMENDOUS SAVINGS ON MAJOR
BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgehill Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7398
(in N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

Now YOU can save Millions of Dollars in Inventory

How To Control and Reduce Inventory

• 221 Pages • New Second Edition • Step-By-Step Examples • Exhibits, Graphs, Charts • Case Studies • Sample Computer Printouts • Fully Indexed • 8½ x 11" Perfect Bound • Only $[illegible] Fully Guaranteed and Postpaid • Written by [illegible], America's Foremost Inventory Management Authority •

This easy-to-install INVENTORY PROGRAM gives you exactly what **you** need: **immediate** and **highly-visible** results! You **quickly** learn how to **reduce** inventory **dollars**, **slash** the number of **months supply**, and **cut** your **paperwork** dramatically—while **boosting** profits and **improving customer service!** This publishing breakthrough gives you **all** the **practical** facts—from **order points** and **EOQ** to **effective reduction techniques**. The **SIX STAGE PROGRAM** starts with basic and **effective** hand-operated systems, then systematically **builds** to more advanced and **computerized techniques**. It's truly a goldmine of information, loaded with helpful **systems, charts, graphs,** and **computer printouts** in an **easy-to-follow** and **implement** format. And it's practically doesn't stop there. It also contains helpful, **tested "political**-and-motivational **strategy"** lessons—to make **sure** you get the **full backing, cooperation,** and **assistance** you need to get the job done!
PRENTICE-HALL says this is the book to "**seal off** your money leaks." The **U.S. Department of Commerce recommends** it and **APICS** lists it in their Suggested Bibliography. **Act now:** it's time **YOU** became a **Million-Dollar Saver!**
SATISFACTION GUARANTEED—60 DAY RETURN PRIVILEGE

Bell Publishing c/o Nation's Business
P.O. Box 1200 Washington, DC 20013

Name ______________________
Address ______________________
City ______________ State ______ Zip ______

☐ Check enclosed ☐ VISA
☐ MasterCard ☐ American Express

No shipment without pre-payment

MANAGING YOUR BUSINESS

Marketing

By Nancy L. Croft

Mention the date April 3, 1974, and Xenia, Ohio, residents still shudder. That was the day a tornado slashed through the town of 25,000, leaving 38 people dead. Downtown businesses were demolished; some never revived.

The road back was long and arduous. Lives were inconvenienced for years.

Residents had to travel outside the town to do their shopping, and even when downtown stores rose from the rubble, malls in nearby Springfield and Dayton continued to entice Xenia consumers away.

Today, however, the Xenia Merchants Association—the XMA, as it is known— reports that the local economy has been revitalized. Downtown merchants' drawing card? A credit card.

Xenia is perhaps the only town where you can buy furniture, groceries and clothes for the entire family, have your hair styled, get your Chevy repaired, have a checkup at the county hospital and pay for a traffic violation with one credit card. More than 50 local businesses, plus the hospital and the municipal court, are honoring the card—which has no annual membership fee—and more than 350 Xenia shoppers have put it to good use.

Last January, Alan Lyming, 29-year-old president of the XMA, read a newspaper story about a trend toward shopping mall credit cards. If a special card works for a mall, it could work for a group of small-town stores that compete with malls, thought Lyming.

Implementing the card idea for Xenia was simple, says John Roberts, director of the Xenia Merchants Association. The XMA proposed the card program to three banks, and MiamiBank, N.A., a Xenia subsidiary of National Bank of Cincinnati, was the most enthusiastic about financing it.

"We wanted to support the community," says William Homan, assistant vice president in charge of card services at MiamiBank. "We also saw this as a way to increase our exposure."

MiamiBank agreed to absorb the cost of printing and issuing the cards and user applications—a cost, it says, that is not heavy. It handles the monthly paper work for the XMA card and collects payments as part of the process of handling other charge cards.

Merchants honoring the card must be members of the Xenia Chamber of Commerce and pay MiamiBank 1½ to 3½ percent of each retail purchase with the card. Businesses that do not already have an account with MiamiBank must set up a depository for the XMA card.

Clerks use the same imprinter or terminal to ring up sales with the XMA card that they would with any other charge card.

The first XMA cards were issued in May. Roberts says his merchants' association had difficulty in persuading some executives at larger stores to honor the card. "They thought the XMA card might be in competition with theirs," he says. "But they found out that a lot of people will use the XMA card who don't have their cards, so they're getting a larger customer base."

At Foster-Haines, a department store that issues its own credit card, management reluctantly agreed to honor the XMA card "because it is good public relations, stimulates growth in the downtown area and brings people back to Xenia to shop," says Marsha Bynum, assistant manager.

Bynum says that "we have a steady stream of customers who use the card, and they are using it for large purchases."

Though the XMA card has only been in circulation for a few months, Roberts says response has been tremendous. After a mention of the program in a newsletter published by the Downtown Research and Development Center, in New York City, the Xenia Merchants Association received inquiries from several small towns across the country.

The Xenia Merchants Association plans to publish a booklet (in conjunction with Downtown Research and Development Center) on how merchants in other small towns can start a credit card program. And MiamiBank is setting up a credit card program for merchants in Beavercreek, six miles from Xenia.

Says bank executive Homan: "Judging from the response from other municipalities, it appears that this type of program is going to take off." NB

LESSONS OF LEADERSHIP

A Wonderful World Of Color

A man who had an idea used money he borrowed from someone in his car pool to launch a unique company.

By William Hoffer

Lawrence Herbert's color identification system is now the standard used by printers and artists all over the world.

PHOTO: STEVE ALTMAN

He is the international czar of color. Lawrence Herbert's Pantone Color Matching System, a rainbow of about 500 shades covering the entire spectrum, is a worldwide language. "When a Pantone number is assigned to a color, it has an identity that never existed before," says Herbert. "There is Morse Code, there's the semaphore, and there's Pantone."

Herbert is president and chief executive officer of Pantone, Inc., a unique printing company whose name has become generic in the international community of commercial artists, printers and packaging companies.

An artist who buys a full array of design materials from a Pantone-licensed supplier can be assured that the colors in his design concept will match the hues of the final printed product. The materials include felt-tipped pens, transparent acetate overlays and offset-printed color papers. If the artist chooses, for example, to use the particular shade of yellow designated as Pantone 123, all his design materials will reproduce the shade precisely.

The printer, in turn, may order a premixed supply of Pantone 123 ink from a licensed ink manufacturer, or he may blend the color himself—or any other Pantone color—by using eight basic colors of ink, plus black and white, that are also available from licensed ink manufacturers.

If the procedures are followed correctly, Pantone 123 will be the same shade of golden yellow whether printed in New Jersey or New Caledonia.

It is a simple concept, but it has produced dramatic results. Herbert has not disclosed financial details since he took the company private in 1977, but in that last public year, sales were about $2 million. "From that point on I never told anybody what the company's volume was," says Herbert. "It has increased dramatically over the years."

Each year the company's name appears on more than $500 million worth of art supplies, inks and other printing and production products sold in 55 countries, earning substantial royalties.

Herbert's personal story is colorful in more ways than one. Printing was an early love. "I started putting ink on paper when I was 12 years old," he recalls. By the time he reached college, he had decided on a career as a physician, but he retained an interest in printing. One of his undergraduate papers reported on the use of organic pigments in printing inks.

After graduating from Hofstra University with degrees in biology and chemistry, he joined Pantone in 1956 when it was a small printing and commercial display business in Manoochie, N.J. He was only a temporary employee, awaiting entrance into medical school.

Thirty years ago there were no uniform standards for color printing. Each printing ink manufacturer provided artists and printers with books of color swatches. When artwork was sent to the printer, it would have a color swatch attached, with instructions that the final product should match the swatch. The printer would do his best to mix the appropriate inks, but there was considerable variety in products from different printers.

Herbert's knowledge of chemistry found an immediate outlet at Pantone. "There can be a chemical reaction when

Pantone's Color Specifier is a 155-page loose-leaf binder filled with perforated color chips to make sure printing matches artwork exactly.

PHOTO: T. MICHAEL KEZA

you put two pigments together," he notes. "Therefore, a knowledge of the interaction of chemicals was helpful to me in knowing not to blend two different types of pigments together."

Pantone printers in those days used a stock of about 60 different inks to mix colors in a hit-or-miss fashion. Herbert was able to reduce that stock to a basic palette of 12 inks that would produce a full range of colors and mix without detrimental chemical interaction. (Later, when he launched his own company, he cut the number to 10.)

Herbert became so involved in the intricacies of the color printing process that he forgot about medical school.

As he rose within the company, Herbert saw a need for someone to take the lead in standardizing the color printing process throughout the world. How he could accomplish this lofty goal remained an enigma. He was only a company employee—albeit one who was increasingly responsible for bringing more stringent quality control to the color-printing process.

By 1962 Herbert was running the printing half of the business while the original owners concentrated on promoting commercial displays.

"They were up against tremendous competition," Herbert says. "The profits that my division was making were going into their division and just being absorbed." Despite the printing profits, the display division ran up $50,000 in outstanding debts. Herbert gave the owners an ultimatum: Sell him the printing division for $50,000, or he would quit. They agreed to sell.

If not for an "angel," the Pantone Color Matching System might never have been launched. It was one of those warm, human encounters of which aspiring entrepreneurs dream. There was a woman who rode in Herbert's car pool—an older woman, childless, who owned an impressive portfolio of securities thanks to an early investment in Xerox Corporation. Herbert offered her a silent partnership in return for her agreement to co-sign a $50,000 bank loan. But "when I sent her the papers for her 50 percent equity," Herbert recalls, "she said, 'I don't want any part of your business, Larry. I'm just happy to help you.' "

Herbert was able to pay off the entire loan within a year, and still the woman refused any profit. As his business grew more successful, he made several attempts to reward his benefactor, but he was rebuffed consistently.

To this day the woman requests anonymity. "She is," says Herbert, "one great lady."

And because of her faith in Herbert, the world of color printing was forever changed. By 1963 Herbert was aggressively promoting his new Color Matching System.

Herbert wrote letters to 21 major ink manufacturers, describing his system and offering to license them as producers of the necessary 10 basic inks. Within two weeks all but one manufacturer paid the initial royalty fee; Herbert knew he had filled an industry need.

Soon he was providing colorful solutions to basic industry problems. Kodak, for example, was having problems with different shades of yellow on its boxes because it was using different printers. Customers thought some of the packages were older, and left them on the shelves. "Whether it's a can of soup or a box of crackers, it's extremely important to have color uniformity," says Herbert.

Herbert plugged Kodak into the Pantone Color Matching System and the problem was solved.

In the ensuing years a rainbow of inventions, innovations and services have been marketed by Pantone. The Color Specifier is a 155-page loose-leaf binder filled with perforated color chips that are attached to artwork being sent for reproduction.

The new Professional Color Guide is a complete catalog of 1,001 colors for use, not in printing, but in industries such as architecture, interior decorating, fashion and beauty products.

Finally, there is the Pantone Color Institute. Under the direction of Herbert's daughter Victoria, this new division will study the psychology of color and map trends in color preference. A fledgling institute newsletter already has a mailing list of 150,000.

Two other Herbert children are also active in the business. Lisa Herbert Harris is in charge of advertising and public relations. Her kid brother Richard, sporting a fresh M.B.A. in finance from his father's alma mater, Hofstra University, is active in promoting a new color imaging system that will simulate Pantone colors on a computer monitor and printer.

Herbert's recent bride (his first marriage ended in divorce), Michele DuBou Herbert, a former celebrity interviewer for a Miami cable TV station, is creating videotapes to promote the Professional Color Guide.

This family involvement is one reason that Herbert, 57, has turned down what he terms "a number of very solid offers for buy-outs." The entire family wants to maintain the integrity of the Pantone name, and it is clear that all relish their special roles as the worldwide arbiters of color.

Still a hands-on person, Herbert is a familiar figure in the company laboratory, where he can be found frequently, playing with pigments like a child with a box of watercolors.

"People ask me which is my favorite color," he muses. "And I say, 'They all are.' " NB

COMMENTARY

Congressional Alert

This NATION'S BUSINESS feature advises readers how they can make their views known on important pending legislation. Correspondence to members of Congress should be sent either to U.S. Senate, Washington, D.C. 20510 or to U.S. House of Representatives, Washington, D.C. 20515.

ISSUE	BUSINESS IMPACT	BUSINESS MESSAGE
Product Liability	The complexities of current law and huge jury awards to plaintiffs have produced a crisis in the business community. Product liability insurance must be available at a reasonable cost, to enable businesses to operate.	Members of the House and Senate: Support product liability reform proposals backed by the Reagan administration. Reinstate a fault-based standard of liability, limit noneconomic and punitive damage awards, and regulate attorneys' contingency fees.
Appropriations	Last-minute consideration of spending bills encourages fiscal irresponsibility and huge federal deficits. This leads to slower economic growth and less business expansion.	Members of the House and Senate: Separately enact the 13 regular appropriations bills, many of which have been lumped together in past congressional sessions. Limit spending so that the government will reduce deficits and produce a balanced federal budget by 1991.
Trade Reform	Persistently high merchandise trade deficits cause severe problems for the U.S. economy. Unfair trade practices and closed markets place American exporters at a disadvantage in international trade.	Members of the House and Senate: Enact legislation that improves our international competitiveness and access to foreign markets, expands world trade and reduces unfair trade practices.
Occupational Hazard Notification	A costly bill that would create a massive new bureaucracy is moving through Congress. It calls for identifying occupational hazards and notifying and counseling workers regarding their medical conditions and legal rights. An expensive federal program, recently implemented, already addresses worker notification.	Members of the House and Senate: Oppose the High Risk Occupational Disease Notification and Prevention Act, which would add to the excessive regulation, litigation and employer expenses that result from current federal requirements. Do not create another unneeded bureaucracy.
Immigration	Immigration reform legislation moving through the House would impose unreasonable burdens on businesses. They would be fined for paper work violations, be held responsible for actions of their subcontractors and be subject to new discrimination litigation.	Members of the House and Senate: Enact immigration reform legislation that does not impose unreasonable burdens on businesses. Make paper work optional, limit responsibility to an employer's own actions, and do not create rights based on status as an alien.
Family/Disability Leave	The voluntary private sector employee benefits system is threatened by a trend toward government-mandated benefits. Employers may be forced to provide up to 18 weeks' unpaid family leave and up to 26 weeks' unpaid disability leave. Furthermore, proposed legislation would set up a government commission to recommend ways to require paid leave in the future.	Members of the House and Senate: Oppose mandating employee benefits; maintain the present highly successful private sector employee benefits system. Managers must have the right to manage—to offer benefits that they can afford and that reflect their employees' preferences.

COMMENTARY

Editorials

The big hole in protectionist arguments; why reducing the tax rate should not be delayed.

Protectionism Is Not The Answer

The administration is on the right track in enforcing current laws aimed at unfair trade policies, while seeking changes that will enhance competition.

Protectionist forces in Congress are trying to gain support by claiming, in effect, that "we're the only game in town."

The Reagan administration, they argue, has done nothing to deal with problems caused by other nations' unfair trade practices, and protectionism offers the only relief available to affected domestic industries.

Their claims were forcefully rebutted in a hard-hitting speech that Commerce Secretary Malcolm Baldrige made recently to the International Forum of the U.S. Chamber of Commerce (see the article beginning on page 30). Noting allegations that the administration lacks a trade policy, the Secretary declared: "I think that's ridiculous. We've got a trade policy. Some people just don't like it. We happen to think it's the best and the only way to go in these kinds of times. We not only have a policy, but we're enforcing that policy."

He cited the many successful actions the U.S. government has taken to remove barriers to U.S. exports throughout the world, as well as administration initiatives in Congress designed to make this country more competitive abroad. "These are all things that the administration has done," Baldrige said. "That's not talk, that's action."

Despite the administration's firm stand, he told the business audience, "some members of Congress are trying to convince the public that 'more needs to be done' in addressing our trade problems, and their idea of 'more' is protectionism."

He said a sweeping trade bill recently passed by the House of Representatives is "protectionist, anticompetitive and anticonsumer," and would invite retaliation from America's trading partners. The extent to which protectionism drives up prices consumers pay and eliminates jobs by curtailing sales of U.S. goods abroad are points that protectionists try to minimize.

The administration is on the right track with its approach of enforcing current laws aimed at unfair trade policies, while seeking trade law changes that will enhance, not smother, genuine competition in the world marketplace.

PHOTO: DAVID VALDEZ

Also deserving of support are its proposals to reform U.S. antitrust laws that make it more difficult for American firms to compete in global markets, eliminate ambiguities in the Foreign Corrupt Practices Act on just what is prohibited and make it easier to prosecute foreign companies that counterfeit U.S. goods or pirate U.S. technology.

Secretary Baldrige offered a workable formula for improving America's position in world trade:

"It's time to weigh every bill—trade, taxes, spending—in the context of its impact on productivity and competitiveness."

Congress should apply those benchmarks—rather than protectionism—in its approach to trade policy.

Make Tax Cuts Start When Deductions Are Eliminated

The tax reform bill passed by the U.S. Senate is far superior to the antibusiness version approved by the House of Representatives. The former promotes fairness and long-term economic growth, and it should prevail in the current efforts to resolve differences between the two measures.

This does not mean, however, that every provision of the Senate bill deserves enactment. Some of its features would have a negative short-term impact on the economy.

For example, the Senate bill's provisions for a 27 percent maximum individual rate and a 33 percent maximum corporate rate are obviously preferable to House levels of 38 and 36 percent, respectively. In each case, the lower rates would be achieved by eliminating certain deductions.

Unfortunately, the Senate bill would eliminate many deductions next January 1, while making the lower rates effective six months later. Taxpayers would thus lose the deductions at the start of the year but pay at the older, higher rates until midyear. The effect would be to impose what experts call a "blended tax rate" for the full 1987 tax year of 38.5 percent for individuals and 39.5 percent for corporations.

While the government would gain an apparent $23 billion windfall in higher taxes by deferring the lower rates, the long-term cost could greatly outweigh the gain. Because of the loss or curtailment of deductions for capital outlays and the delay in implementing the lower rates, many businesses will await the more favorable tax climate of 1988 before making capital outlays.

And such outlays, of course, create jobs and increased productivity on which the government must rely for revenue growth as tax rates fall.

HERE COMES TOUGH...
HERE COMES...

FORD CARGO

Beverage trucks take some beating–stop-start deliveries, narrow city streets, potholes, the works!

Now Cargo's here–the tough new Ford tilt with the aerodynamic, European-style cab.

Cargo's built to take it, with chassis components and drive train designs already proven on other tough Fords. It's built to challenge the best the world has to offer!

The new city truck that's Built Ford Tough!

Great new outlook for the driver!

Cargo's here to make tight turns easier, your drivers more productive... with low-cut side obser-

vation windows, to give the driver great visibility in stop and go city driving–up and down, front and side. Power steering's standard. The wheel cut is a full 45°. Cargo's turning radius is 14 ft. shorter.*

DIESEL

Even the engine is Built Ford Tough!

Ford's been making fuel-efficient diesels for decades, but never one as advanced as our new 165 hp** turbo–a design so tough, it has no restrictions on application or mileage!

22 Work-Ready Cargo models, GVW's of 26,500 and 29,500 lbs.

Ford Cargo: It's loaded with ideas every beverage truck should have!

*Turning diameter compared with F-series conventional comparably equipped

**SAE standard J1349

TRUCK OPERATIONS

Circle No. 17 on Reader Service Card.